ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Financial Statements

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Essex County Industrial Development Agency, Inc.
Elizabethtown, New York

I have audited the accompanying financial statements of the governmental activities of the Essex County Industrial Development Agency, Inc., as of and for the years ended December 31, 2012, and 2011, which collectively comprise of the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. My responsibility is to express opinions on these financial statements based on my audits.

I conducted my audits 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 I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Agency, as of December 31, 2012 and 2011, 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 18, 2013, on my consideration of the 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 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages and of Schedules 1 through 5 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by Government Auditing 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 an opinion on the financial statements of the Essex County Industrial Development Agency. The additional information in Schedules 1 through 5 are presented for the purposes of additional analysis and is not a required part of the basic financial statements. The additional information in Schedules 1 through 5 is the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has 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 as a whole.

Barbara S. Dwyer, CPA

Barbara S. Dwyer, CPA

Lake Placid, New York
March 18, 2013

BARBARA S. DWYER

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Essex County Industrial Development Agency, Inc,
Elizabethtown, New York

I have audited the financial statements of Essex County Industrial Development Agency, Inc (a nonprofit organization), as of and for the year ended December 31, 2012, and have issued my report thereon dated March 18, 2013. I conducted my audit in accordance with 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 Essex County Industrial Development Agency, Inc, internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Essex County Industrial Development Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Essex County Industrial Development Agency's internal control over financial reporting.

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 organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

My consideration of 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 internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Essex County Industrial Development Agency, Inc, 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 statements 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 management, audit committee, 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.

Barbara S. Dwyer, CPA
Barbara S. Dwyer, CPA

Lake Placid, New York
March 18, 2013

Essex County Industrial Development Agency
Management's Discussion and Analysis
December 31, 2012

The management of the Essex County Industrial Development Agency, Component Unit of Essex County (the Agency) offers readers of the Agency's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending December 31, 2012. The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

The Essex County Industrial Development Agency's assets exceeded its liability by $8,315,696 for the fiscal year ended December 31, 2012. This compares to the previous year when assets exceeded liabilities by $7,933,650.

Total net assets comprise the following:

1. Capital assets of $5,557,104, net of accumulated depreciation.

2. Net assets of $665,550 are restricted by constraints from outside the Agency, such as grantor requirements, laws and regulations.

3. Unrestricted net assts of $2,093,042 represents the portion available to continue the Agency's objectives to stimulate economic development in Essex County, New York.

Total liabilities of the Agency decreased $39,100 to $10,874 during the fiscal year.

Revenues for the year ended December 31, 2012, totaled $706,293 of which $213,000 was County support, $197,921 was grants, $190,229 was bond and application fees, $72,990 was rent income and $32,133 was interest income.

Overview of the Financial Statements:

The Agency's basic financial statements consist of four components; 1) the Management's Discussion and Analysis, 2) Fund financial statements, 3) Notes to the financial statements and 4) Supplemental information. Because the Agency is a special-purpose government agency engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Agency. In addition to the management's discussion and analysis, management has prepared the Statement of Net Assets, the Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, following the Management Discussion and Analysis.

Overview of the Agency:

The Agency's primary mission is to encourage economic growth and expansion through financial incentives, thus advancing job opportunities, health, general prosperity, and the economic welfare of the people of Essex County and the State of New York. The Agency's operations are funded entirely through County support, grants, fees, rents and interest income.

Notes to the Financial Statements:

The next section of the financial statements is the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on pages 8 through 11 of this report. After the notes, the supplemental information is provided to show details about the Agency's bonds and budget analysis.

Budgetary Highlights

The operating budget for the Agency was $226,865 for the fiscal year ended December 31, 2012. Operating revenues were $12,717 less than budget. Operating expenses were $6,149 more than budget.

Financial Analysis

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information required by the New York State Office of the State Comptroller.

The Agency's Net Assets

		2012	2011
Current Assets		$2,002,625	1,127,386
Capital Assets, net		5,557,104	5,615,859
Other Assets		766,841	1,240,379
Total Assets		8,326,579	7,983,624
Current liabilities		10,874	49,974
Net Assets		8,315,696	7,933,650
Total Net Assets	$	8,315,696	$7,933,650

Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Agency exceeded liabilities by $8,315,696 as of December 31, 2012. The Agency's net assets increased by $382,046 for the year ended December 31, 2012. The largest portion of net assets (66.83%) reflects the Agency's investment in capital assets.

The Agency continues to collect $72,990 currently for the rental of the Moriah Business Park with varying lease terms.

The Agency's Revenue and Expenses

	2012	2011
Operating Revenues:		
County Allocation	$213,000	235,000
Grants	197,921	48,172
Bond and application fees	190,229	42,753
Total Operating Revenues	601,150	325,925
Other Revenues:		
Rental Income	72,990	67,011
Interest Income	32,135	42,197
Other Revenue	-	6,174
Total Other Revenue	105,125	115,382
Total Revenue	706,275	441,307
Operating Expenses:		
Personal Services	190,647	184,907
Administration	32,264	34,085
Program Expenses	118,154	159,484
Total Operating Expenses	341,065	378,476
Net Income	$365,210	62,831

Capital Assets

The Essex County Industrial Development Agency's investment in capital assets, net of accumulated depreciation, for business-type activities as of December 31, 2012, was $5,557,106. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total decrease in the Agency's investment in capital assets for the current year of $58,753 was due to the annual depreciation.

	2012	2011
Nondepreciable:		
Land and Land Improvements	$3,778,132	3,778,132
Depreciable:		
Buildings and Leasehold Improvements	2,201,729	2,201,729
Machinery and Equipment	185,001	185,001
Accumulated Depreciation	(607,756)	(549,003)
Total	$5,557,106	5,615,859

Economic Factors and Next Year's Budget and Rates

The purpose of the Essex County Industrial Development Agency is to promote, develop, encourage and assist in economic development and job creation in Essex County, New York.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Essex County Industrial Agency's finances, comply with finance-related laws and regulations, and demonstrate the Agency's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Agency's administration at 7566 Court Street Elizabethtown, New York 12932.

Exhibit A

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Financial Position

	Year end December 31	
	2012	2011
ASSETS		
Current Assets		
Cash	$ 1,453,094	877,968
Current portion of notes receivable	549,531	249,418
Total Current Assets	2,002,625	1,127,386
Property, Plant and Equipment, net of accumulated depreciation (Note 6)	5,557,106	5,615,859
Other Assets		
Notes receivable, net of reserve for bad debts, $100,000 in 2012 and $100,000 in 2011	766,841	1,240,379
Total Other Assets	766,841	1,240,379
Total Assets	$ 8,326,572	7,983,624
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued New York State retirement	-	21,595
Accrued payroll taxes	3,191	3,858
Accrued grant interest payable (Note 11)	7,683	24,521
Total Current Liabilities	10,874	49,974
Total Liabilities	10,874	49,974
Net Assets		
Unrestricted	2,093,042	1,962,046
Investment in capital assets	5,557,106	5,615,859
Temporarily restricted	665,550	355,745
Total Net Assets	8,315,698	7,933,650
LIABILITIES AND NET ASSETS	$ 8,326,572	7,983,624

See accompanying notes to financial statements

Exhibit B

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Activities

	Year end December 31	
	2012	2011
SUPPORT:		
County Allocation	$ 213,000	235,000
Champlain Bridge/Hurricane Irene Grant	197,921	16,594
HUD Program Fees	-	12,500
Industrial Park rents	72,990	67,011
Revenue Bond fees	188,729	23,100
Application and administrative fees	1,500	7,153
Other Grants	-	31,578
Interest income	32,135	42,197
Miscellaneous Income	-	6,174
TOTAL SUPPORT	706,275	441,307
EXPENDITURES:		
Program expense	118,154	152,587
Personnel expense	190,647	184,907
Administration expense	32,264	40,982
TOTAL EXPENDITURES	341,065	378,476
Change in Net Assets	365,210	62,831
Net Assets, beginning of year	7,933,650	7,870,819
Correction of an Estimate (Note 14)	16,838	-
Net assets, end of year	$ 8,315,698	7,933,650

See accompanying notes to financial statements

Exhibit C

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Cash Flows

	Year end December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITES		
Change in net assets	$ 365,210	62,831
Adjustments to reconcile net assets to net cash provided by operating activities:		
Correction of an estimate	16,838	
Depreciation	58,753	58,427
Reserve for bad debts	-	15,200
Notes receivable	-	(10,114)
Increase (decrease) in:		
Accrued liabilities and payables	(39,100)	41,277
Net cash (used) provided by operating activities	401,701	167,621
CASH FLOWS FROM INVESTING ACTIVITES		
Purchase of site improvements and equipment	-	(23,523)
Net cash used in investing activities	-	(23,523)
CASH FLOWS FROM FINANCING ACTIVITES		
Repayment of principal, notes receivable	275,925	125,919
Loans issued	(102,500)	(426,601)
Net cash from financing activities	173,425	(300,682)
Net increase in cash	575,126	(156,584)
Cash at beginning of year	877,968	1,034,552
Cash at end of year	$ 1,453,094	877,968

See accompanying notes to financial statements

Note 1: **ORGANIZATION**

The Essex County Industrial Development Agency, Inc. (the Agency) is a public benefit corporation created by the New York State Legislature. The Essex County Board of Supervisors appoints the members to the Agency's Board of Directors. The Agency is empowered by law to issue tax-exempt bonds to finance qualified industrial firms. It also may purchase, develop, manage, sell and lease real property, including land and buildings, for the purpose of creating jobs and serving the public welfare generally. The real property used for such public purpose is exempt from property tax by law. The Agency can also loan funds and administer those loans to businesses to promote economic development.

In accordance with the contract, dated March 7, 1996, between Essex County Industrial Development Agency, Inc. and the County of Essex, it was agreed that each would be separate and independent entities of government effective January 1, 1982. According to the terms of the same contract the Industrial Development Agency was charged with the administration of the business of the Essex County Development Corporation.

As of January 1, 2006, the Essex County Empire Development Zone Corporation was dissolved and merged with the Essex County Industrial Development Agency, Inc. The administration of the Empire Development Zones within Essex County, New York are now through the Agency servicing existing certified businesses and administering the recertification of Empire Development Zone designated areas. The Agency is responsible to provide a zone coordinator to service the Empire Development Zone within Essex County, New York. This program ended June 30, 2010. The Agency is required to administer the program to existing certified business.

Due to an end of the New York State civil facilities bond program, the Agency could no longer facilitate the bond financing arrangements for nonprofit entities in Essex County, New York. The Agency determined that this was a significant gap in services to stimulate economic development. In the 2010 fiscal year, the Agency created a related nonprofit corporate entity, The Essex County Capital Resources Corporation, whose purpose is to facilitate bond financing arrangements for non profit in Essex County, New York. These financial statements reflect a combination of the financial activity of the two entities.

Note 2: **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Agency have been prepared on the accrual basis of accounting.
The Agency follows the standards for external financial reporting by not-for-profit organizations which requires that resources be classified for accounting and reporting purposes into three net asset categories according to grant imposed restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grant imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

- **Unrestricted net assets** include net assets that are not subject to grant or Board imposed stipulations.

- **Temporarily restricted net assets** include net assets subject to grant or Board imposed stipulations that may or will lapse either by actions of the Agency and/or the passage of time.

- **Permanently restricted net assets** include net assets subject to grant imposed restrictions with the intent that the Agency maintains the net assets permanently. Generally, the grantors of these assets permit the Agency to use all of the income earned or realized on related investments for general or specific purposes.

Note 2: **SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Revenues and Expenses
Revenues are reported as increase in unrestricted net assets unless use of the related assets is limited by grant-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents
The Agency considers cash and any appropriate investment with the initial maturity date of three months or less to be cash and cash equivalents. Funds are segregated in separate accounts as requested by granting agencies.

Donated Services
The Agency has not received any donated services or goods. Thus, none has been reflected in the financial statements. On occasion it receives facilities and the policy on this is described below.

Plant
Land, buildings, furniture and equipment are recorded at cost and include expenditures for new facilities and improvements that substantially increase the useful lives of existing buildings and equipment. Expenditures in the nature of normal repairs and maintenance are accounted for as expenses in the statement of activities of unrestricted net assets. Depreciation of building and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation is recognized on general operating assets and industrial projects with current earnings. Assets in excess of $1,000 are capitalized.

Use of Estimates
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 reported amounts of assets and liabilities and applicable disclosures at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates of the Corporation and other revenues from nonexempt sources.

Note 3: **INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS**

Industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to or owned by companies and is retired by lease or principal payments. The bonds and notes are not obligations of the Agency or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents.

Note 4: **CASH AND INVESTMENTS**

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 New York State or its localities. At December 31, 2012, and December 31, 2011 the Agency had no investments.

Collateral is required for demand and time deposits and certificates of deposit not covered by the Federal Deposit Insurance Corporation. Obligations that may be pledged as collateral include obligations guaranteed by the government of the United States or by the State of New York and obligations issued by a municipal corporation or school district of such State.

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. While the Agency does not have a specific policy for custodial credit risk, New York State statutes govern the Agency's investment policies, as described above. At December 31, 2012, the Agency's cash and cash equivalent balances were $1,453,094. The insured and collateral status of the year end bank balances are as follows:

Status of bank balances:	
Collateralized with securities held by the pledging financial institution	$1,466,398
Covered by federal deposit insurance	250,000
Total Insured and collateral status	$1,716,398

Note 5: **NOTES RECEIVABLE**

Notes receivables are recognized at the current outstanding balance. Funds collectible within twelve months are identified as the current portion of the notes receivable. Funds collectible in more than twelve months are identified as other assets.

The Allowance for Doubtful Accounts is evaluated annually and adjusted accordingly. The Agency seeks every means of collection of its notes.

Note 6: **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and related accumulated depreciation are as follows:

Industrial Projects	2012	2011
Chesterfield Industrial Park	$ 3,580,499	$ 3,580,499
Essex Industrial Park Ticonderoga Land		
Ausable Forks Hydro Project:		
Land	733	733
Willsboro:		
Land	99,900	99,900
Total	3,681,132	3,681,132
Less: Accumulated Depreciation	-	-
Total	3,681,132	3,681,132
Moriah Project		
Land	97,000	97,000
Building	918,093	918,093
Site development	914,794	914,794
Willsboro Project-engineering	107,345	107,345
Operating Assets of the Agency		
Building	261,497	261,497
Furniture and Fixtures	29,845	29,845
Training Equipment	127,781	127,781
Office equipment	27,375	27,375
Total	2,483,730	2,483,730
Less: Accumulated Depreciation	607,756	549,003
Total	1,875,974	1,934,727
Property, Plant and Equipment, net of accumulated depreciation	$ 5,777,106	5,615,859

Note 7: **MORIAH BUSINESS PARK**

The Industrial Development Agency received grants to construct a building in the Town of Moriah for the purposes of industrial development without an objective of creating jobs. The project involved the construction of a one-story 22,000 sq. ft. high bay manufacturing and distribution facility, access road, utility connection and parking for 18 trailers and 14 cars. The building was built on land owned by the Agency totaling 30 acres, which was purchased for the purposes of this project. The Agency is currently renting the building to commercial tenants.

During the fiscal year ended December 31, 2007, the Agency received multiple grants to improve the infrastructure of The Moriah Business Park. Three phase power, fiberoptics, highspeed internet access, water and sewer lines, grading, paving, and site preparation was installed and/or completed during the 2007 fiscal year. Additionally, The Town of Moriah built a new building for a Town health center at the park. Four building sites remain.

Note 7: **MORIAH BUSINESS PARK CONTINUED**

In February 2009, the Agency was awarded a performance grant of $36,893 from The United States Department of Commerce Economic Development Administration for completing The Moriah Business Park project before deadlines and under budget. These funds have been used to complete landscaping at the park, which is a joint venture with CV-TEC involving materials and equipment rental.

Note 8: **CHESTERFIELD COMMERCE PARK PROJECT**

The Agency is involved in a joint development project with the Town of Chesterfield. As project leader, the Agency received a grant of $3,000,000 from the United States Department of Commerce for improvements to the water treatment plant and infrastructure to the proposed industrial park in the Town of Chesterfield. The Agency has disbursed its grant funds which are reflected in the assets but not being depreciated totaling $3,580,499 as of December 31, 2005.

The Town of Chesterfield has an obligation to match the Federal grant in improvements paid through the town. The final requisition had been submitted for the project as of December 31, 2004 and collected in the fiscal year ended December 31, 2005. Once complete, the assets are to transfer to the Town of Chesterfield. This transfer has not been finalized yet.

Note 9: **PENSION BENEFIT PLAN**

The Agency participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by The New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244

2012	$23,121
2011	$22,942
2010	$16,762

The Agency's contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Agency elected to make the full payment on December 15, 1989.

Note 10: **POST EMPLOYMENT BENEFITS**

Although the employees of the Agency participate in the New York State and Local Employees' Retirement System and do accrue retirement benefits for post employment, the Agency does not participate in the New York State Employees' Health Insurance program. The Agency has a policy to provide health insurance to its employees while they are employed at the Agency. The Agency contracts on its own for this employee benefit. There is no policy at this time to provide health insurance covereage to any employee in retirement.

Note 11: **GRANT INTEREST EXPENSE**

Upon recent review of the Essex County Contract with the Essex County Industrial Development Agency, Inc. and the subrecipient grant contracts from the Community Development Block Grants and the Governors Office of Small Cities Grants, it has been determined that the Agency owes the County the accrued interest income earned on the grant funds held on account including funds repaid from loans with the original grant funds or loaned again within the same grant program. As of December 31, 2011, the two grant programs have been reviewed since inception and the interest income earned in the revolving loan accounts have been allocated among the specific grant funds. As a result, as of December 31, 2012, The Agency owes the County $ 7,803 of these earned interest funds. This liability has been accrued in these financial statements and will be remitted to Essex County.

Note 12: **CHAMPLAIN BRIDGE/HURRICANE IRENE GRANT**

Two significant events have occurred in the region which have had an impact on the underlying economic environment of the region in recent years.

The first event was the condemnation of the Champlain Bridge at the narrows of the lake near Crown Point, New York in October 2009. With the cessation of traffic through this transportation artery, businesses within twenty-five miles of the bridge felt an immediate decline in economic activity. Through the Empire State Development Corporation, the Agency secured $635,000 in funds to be made available as a Community Loan Fund to these suffering businesses to provide loans and lines of credit up to $25,000. No interest is to be charged and no payments are due until six months after the newly constructed bridge is opened which occurred November 7, 2011.

Not all of these grant funds had been disbursed when the second event occurred which was the devastation wrought by Hurricane Irene on August 28, 2011. Flooding levels well in excess of the 100 year flood plain did extensive damage to roadways, commercial properties and residential properties. Again, businesses immediately felt the impact of this event with transportation arteries closed or in repair, structural damage inflicted on buildings and destruction of inventory available for sale.

The Agency appealed to the Empire State Development Corporation to allow the remaining funds available through the Champlain Bridge initiative to be loaned to businesses affected by Hurricane Irene.

A new grant disbursement agreement was approved in which up to $385,000 is available to be disbursed to assist businesses impacted by the closure of the Champlain Bridge and up to $250,000 is available to be disbursed to assist businesses impacted by Hurricane Irene. The Agency also agreed to reduce its administrative charge for the servicing of this grant from 10% of the grant funds at $63,500 to 4.5% of the grant funds at $28,575.

Note 13: **OPERATING LEASES**

The Agency has one equipment operating lease for a copier. The annual lease payments are $1,580 in fiscal year 2012. The future lease payments under the current year are:

2013	$1,177
2014	$1,177

Note 14: **PRIOR PERIOD ADJUSTMENTS**

During the 2011 fiscal year, the Agency was informed that it owed the County accrued interest income earned on grant funds held on account since fiscal year 2000. An analysis of the grant revolving loan accounts was begun in fiscal year 2011. At December 31, 2011, an obligation of $24,521 was accrued.

Upon further review and consultation with the Agency's contracted grant advisor it was determined that only one federally funded revolving loan program was subject to this remission of funds to the County. As a result of this revision, the obligation to the County was revised to be $7,683 as of December 31, 2012.

A prior period adjustment of $16,838 has been made to the beginning net asset balance to reflect this adjustment to a prior year liability.

Note 15: **COMMITMENTS**

As of December 31, 2012 and December 31, 2011 the Agency has made loan commitments to businesses with the objective of stimulating economic growth and development.

Note 16: **SUBSEQUENT EVENTS**

The Agency has evaluated events and transactions that occurred between December 31, 2012 and March 18, 2013 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Schedule 1

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Schedule of Functional Expenses

	2012	2011
PROGRAM EXPENSE:		
HUD Program expenses	$ 1,004	9,627
Industrial Park expenses	43,471	25,063
Legal fees and notices	8,912	10,050
Marketing and advertising	-	626
Depreciation expense	51,856	51,657
Insurance	2,871	3,741
Grant interest expense	-	24,521
Telephone	2,504	2,629
Travel	3,086	4,810
Conferences and workshops	3,017	2,812
Dues and subscriptions	1,220	1,212
Bad debt expense	-	15,200
Miscellaneous	213	639
Total Program Expense	118,154	152,587
PERSONNEL EXPENSE		
Salaries	147,564	146,299
Payroll tax expense	14,721	8,825
Health Insurance	5,241	6,841
Retirement	23,121	22,942
Total Personnel Expense	190,647	184,907
ADMINISTRATIVE EXPENSE		
Office expense and supplies	6,728	5,112
Depreciation expense	6,897	6,897
Rent and occupancy	3,604	7,202
Postage and printing	1,095	1,452
Accounting	8,661	6,097
Equipment leases and maintenance	4,558	13,282
Miscellaneous	312	214
Board expenses	122	57
Business meetings	287	669
Total Administrative Expense	$ 32,264	40,982

Schedule 2

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Schedule of Industrial Parks Revenues and Expenses
Year end December 31

	2012						2011
	Total	Moriah	Ticonderoga	Schroon Lake	Willsboro	Chesterfield	Total
Rental Income	$ 72,990	72,990					67,011
Expenses:							
CVTEC Project	$ 14,622	14,622					
Maintenance	17,299	11,299	6,000				15,392
Landscaping	3,757	2,800				957	4,120
Real estate taxes	749	438		27	284		688
Insurance	6,661	5,396		187	734	344	4,702
Utilities	161	100			61		61
Legal fees	122	122					
Services and fees	100	-	-	-	-	100	100
Total Expenses	43,471	20,155		214	1,079	1,401	25,063
Net Rental Income (Loss) Before Depreciation	29,519	38,213	(6,000)	(214)	(1,079)	(1,401)	41,948
	-						
Depreciation expense	44,498	44,498	-	-	-	-	45,203
Net Rental Income (Loss)	$ (14,979)	(6,285)	(6,000)	(214)	(1,079)	(1,401)	$ (3,255)

Schedule 3

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Required Supplementary Information
Schedule of Revenues and Expenses Operating -Budget
(Non-GAAP Basis) And Actual

For the Year ended December 31, 2012

	Budget	Actual	Variance
Revenues:			
County Support	$ 198,000	198,000	-
Fees	2,000	2,000	-
Rental administratin fee	10,950	14,118	3,168
Other revenue	15,890	-	(15,890)
Interest income	25	30	5
Total revenues	226,865	214,148	(12,717)
Expenditures			
Personal services	179,890	186,988	(7,098)
Legal fees and notices	8,100	8,625	(525)
Occupancy expenses	6,500	3,167	3,333
Audit and accounting fees	5,950	8,605	(2,655)
Travel	5,000	3,086	1,914
Office expense	7,850	7,823	27
Insurance	3250	2,871	379
Equipment rental and maintenance	3,100	4,558	(1,458)
Meetings and seminars	3,875	3,426	449
Telephone	2,000	2,504	(504)
Dues and subscriptions	1,200	1,220	(20)
Bank charges	150	141	9
Total expenditures	226,865	233,014	(6,149)
Deficit in Operating Budget	-	(18,866)	(18,866)

Schedule 4

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Schedule of Leases
Year ended December 31, 2012

Name of Project	Project Owner and Address	Year of Origination	Purpose	Estimated Project Amount	Amount of Tax Exemption	Estimated Jobs
1. CVSC, LLC	CVSC, LLC 10 Gilliland Lane Willsboro, NY 12996	2012	Senior Assisted Living Community	$ 7,904,958	Mortgage tax and Recording Fees Expemption and sales tax exemption of materials	15-20 New
2. Hotel at Mirror Lake, LLC	Hotel at Mirror Lake, LLC 762 Brooks Avenue Rochester, NY 14619	2012	Hotel	$ 13,800,000	Sales tax exemption of materials purchased or rented	12 New
3. Moses Circle Senior Apartments, LLC	Moses Circle Senior Apartments, LLC PO Box 549 Rome, NY 13442	2012	31 Units of Senior Apartments	$ 7,088,445	Mortgage recording tax abatement and sales tax exemption on materials	2 New

Schedule 5

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Schedule of Payments in Lieu of Taxes
Year ended December 31, 2012

Name of Project

CVSC, LLC

Project Owner and Address:
CVSC, LLC
10 Gilliland Lane
Willsboro, NY 12996

Purpose: Senior Assited Living Community

Amount of PILOT:
The PILOT is a ten year schedule in which the first two years, 2013 and 2014, there are no real property tax payments due. In year three (2015), 50% of the real property taxes due based on the assessed value of the project are payable. Through to and including 2018, the exemption percentage decreases annually by 5%, being 30% exempt in 2018. In 2019 and 2020, the exemption percentage decreases 10% annually. In 2021, the exemptoin percentage is 5%. In 2022, the PILOT expires.

Estimated Jobs:
New 15-20