

**FRANKLIN COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF FRANKLIN COUNTY, NEW YORK**

BASIC FINANCIAL STATEMENTS

December 31, 2012 & 2011

**Douglas S. Wood, C.P.A., P.C.
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Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
10 Elm Street
Malone, New York 12953

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Franklin County Industrial Development Agency a Component Unit of Franklin County New York, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the authorities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Franklin County Industrial Development Agency a Component Unit of Franklin County New York, as of December 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

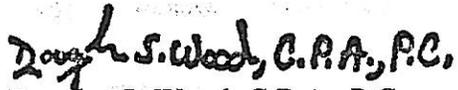
Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013 on our consideration of the Franklin County Industrial Development Agency a Component Unit of Franklin County, New York'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* in considering the Franklin County Industrial Development Agency a Component Unit of Franklin County's internal control over financial reporting and compliance.



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

Malone, New York 12953

March 28, 2013

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A)
December 31, 2012

Introduction

Our discussion and analysis of the Franklin County Industrial Development Agency's financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2012. It should be read in conjunction with the basic financial statements to enhance understanding of the Agency's financial performance, which immediately follows this section.

Financial Highlights

The County of Franklin Industrial Development Agency (IDA) in 2012 continued to provide assistance to ongoing projects such as the St. Lawrence Gas natural gas pipeline. The IDA is the Grantee and is acting as a conduit for a \$2 M grant secured by Senator Little -these funds have been handled through DASNY.

The pipeline is the largest recent economic development project in Franklin County, and the IDA has played a major role in financing the distribution of natural gas to consumers. Distribution of natural gas to anchor customers alone will save millions of dollars each year in energy costs. St. Lawrence Gas expects to reach Malone by June, 2013, and Chateaugay by the end of 2013. The arrival of natural gas at the McCadam plant in Chateaugay is a factor in considering a plant expansion and the retention of jobs at McCadam.

The Adirondack Club and Resort project (ACR), which at \$500 M will be the largest project the IDA has ever undertaken, was still in litigation as the year ended. The IDA has periodic contact with ACR developers in preparation for bonding and a PILOT Agreement, but the focus has not yet shifted to financing the project. Hundreds of jobs are expected to be created once the project is through litigation and construction begins.

There were a number of new potential projects that did not develop, notably a \$50 M Bio-Fuel facility in Tupper Lake, and projects that are still in development, such as a biomass facility in the northern part of Franklin County.

Significantly in 2012, there was continuing movement by Franklin County to bring Tourism to the Court House at the same time that a bed tax was being implemented, with all this to be supervised by the Legislature and a Tourism Advisory Committee. The separation of Franklin County Tourism from the IDA was not complete until 2013. This followed the retirement of two 30-year employees in 2011.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2012

Properties owned by the IDA are an ongoing source of expense, but there are discussions with existing companies for the purchase of both the Cleyn & Tinker building in Malone and the Bombay parcels. The factory and warehouse in Bombay will have a Certificate of Completion for brownfield work in 2013. Concerning business parks, the IDA and Mitchell Logging closed a sale of property in Tupper Lake, and after ComLinks ceased operations, the IDA worked with JCEO on a new lease at the Gleaning Warehouse in Malone.

The IDA board has committed significant funds for marketing in the 2013 budget with the objective of sourcing companies to make investment in Franklin County.

Summary Information

In 1969, New York State adopted the Industrial Development Agency Act. The Act defines Industrial Development Agencies (IDAs) and sets forth their organization and powers. IDAs are independent public benefit corporations. They are created to promote, develop, encourage and assist industrial, manufacturing, warehousing, commercial, research and recreation facilities to advance job opportunities, health, and economic welfare of the people of the State of New York. Each IDA is a non-profit government at the request of one or more municipalities.

IDAs carry out their mandate by creating projects that offer financial incentives to attract, retain and expand businesses within their jurisdiction. To achieve these goals, an IDA can buy, sell and lease property and issue debt. Businesses wishing to obtain financial assistance typically apply to an IDA. The assistance granted to these businesses generally includes the issuance of a low interest Industrial Development Revenue Bond, and exemptions from real property tax, mortgage recording tax, and sales and use tax. The bonds issued are not obligations of the municipality or the State. As part of the transaction, the IDA generally takes title to the project's real property. In doing so, the IDA is not required to pay taxes or assessments on any property it acquires or that is under its jurisdiction, control, or supervision. Usually, this benefit is, in effect, passed through to the assisted business. A portion of the local real property tax exemption is usually recaptured in the form of payments in lieu of taxes (PILOTS). The assisted business typically agrees to make PILOTS, which generally are significantly less than the real property taxes which are abated. In many cases, the financing of an IDA-sponsored project takes the form of a lease-purchase agreement with the business. The IDA sells its bonds and uses the proceeds to acquire or construct the project for the business. Upon completion, the project is leased to the business for a term equal to the term of the IDAs bond issue. The annual payments from the business are then set at an amount sufficient to pay the annual principal and interest on the IDA bonds. Since IDAs are considered governmental agencies, property acquired by them or under their control has tax-exempt status. The business usually has the option to purchase the project for a nominal fee at the end of the financing term.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2012

IDAs may also provide financial assistance through "straight-lease" transactions. Under such arrangements, the IDA generally would take title to property of a project occupant, thereby entitling the property to tax exemptions, with no additional financial assistance provided through the proceeds of the IDA bonds.

The Board of an IDA, consisting of between three and seven members, is generally appointed by the governing body of its sponsoring municipality. IDA decisions affect the school districts and other local governments in the area in which the IDA operates. The IDA tax exemption policies are often a concern of these taxing jurisdictions, particularly school districts. The major taxing jurisdictions which are affected by IDA decisions may not be represented in the IDA membership and, therefore, may have a little input into IDA decisions which affect their tax bases and revenue streams. Accordingly, provisions of the General Municipal Law require each IDA to establish a uniform tax exemption policy with input from affected tax jurisdictions and to provide guidelines for claiming real property tax, mortgage recording tax, and sales tax exemptions. The IDA must also establish a procedure for deviation from its uniform tax exemption policy and provide written notification of the reasons for the deviation to affected taxing jurisdictions.

In 1993, legislation was passed altering the powers of IDAs. The main focus of the legislation addressed the issue of making IDAs more accountable by requiring them to:

Submit written payment in lieu of tax agreements, including payment allocation, to taxing jurisdictions;

File real property tax exemptions with county chief executive officers and school districts;

Submit data on outstanding projects annually to the New York State Comptroller's Office;

Hold a public hearing for all projects in excess of \$100,000; and

Adhere to the same conflict of interest code of ethics as municipalities.

USING THIS ANNUAL STATEMENT

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2012

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Corporation's assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *statement of activities* presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods.

The government-wide financial statements outline functions of the Corporation that are principally supported by intergovernmental revenues (governmental activities). These activities include the capitalization of industrial development in Franklin County.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Corporation can be divided into two categories: governmental funds and fiduciary funds.

Government funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Corporation's near-term financing requirements.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2012

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental-funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Corporation. Fiduciary funds are reflected in the government wide financial statements because the resources of those funds are not available to support the Corporation's own programs. The accrual basis of accounting is used for fiduciary funds.

NET ASSETS consist of the following:

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets	\$ 2,293,638	\$ 911,886
Capital assets		
Land	154,794	170,027
Other capital assets net of depreciation	<u>1,339,691</u>	<u>1,385,729</u>
TOTAL ASSETS	<u>\$ 3,788,123</u>	<u>\$ 2,467,642</u>
 LIABILITIES		
Current	\$ 2,129,748	\$ 56,976
Long-term	<u>0</u>	<u>613,483</u>
TOTAL LIABILITIES	<u>2,129,748</u>	<u>670,459</u>
 NET ASSETS		
Investment in capital assets, net of related debt	848,793	942,272
Unrestricted	<u>809,581</u>	<u>854,911</u>
TOTAL NET ASSETS	<u>\$ 1,658,374</u>	<u>\$ 1,797,183</u>

TOTAL LIABILITIES AND NET ASSETS

The agency's net assets consist of two components. Unrestricted net assets represents 50% of net assets which represents moneys available for ongoing business capital assets, land, buildings and equipment represent 50% of net assets and are not considered liquid.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2012

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 3,760,455	\$ 244,730
Operating grants	84,097	450,898
Interest	<u>200</u>	<u>965</u>
Total Revenues	3,844,752	696,593
Operating Expenses	<u>(3,983,561)</u>	<u>(815,540)</u>
	<u>\$ (138,809)</u>	<u>\$ (118,947)</u>

CAPITAL ASSETS

At December 31, 2011 the agency had \$942,273 invested in capital assets net of related debt as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 154,794	\$ 170,027
Buildings	691,793	757,101
Equipment	<u>2,206</u>	<u>15,145</u>
	<u>\$ 848,793</u>	<u>\$ 942,273</u>

More detailed information regarding fixed assets is presented in the notes to financial statements.

LONG-TERM DEBT

At the end of the year the agency had \$-0- in long-term debt.

	<u>2012</u>	<u>2011</u>
Franklin County Local Development Corp.	<u>\$ 0</u>	<u>\$ 613,484</u>
	<u>\$ 0</u>	<u>\$ 613,484</u>

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's Chief Executive Officer at 10 Elm Street, Malone, New York 12953.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
STATEMENTS OF NET ASSETS
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 743,285	\$ 896,983
Accounts receivable	1,550,352	14,903
CAPITAL ASSETS		
Land	154,794	170,027
Other capital assets, net of depreciation	<u>1,339,692</u>	<u>1,385,729</u>
TOTAL ASSETS	<u>\$ 3,788,123</u>	<u>\$ 2,467,642</u>
 LIABILITIES		
CURRENT		
Accounts payable	\$ 1,455,824	\$
Accrued liabilities	177	5,400
Due other governments	28,056	51,575
Short-term debt	645,692	
LONG TERM		
Note Local Development Corporation	<u>0</u>	<u>613,484</u>
TOTAL LIABILITIES	<u>2,129,749</u>	<u>670,459</u>
 NET ASSETS		
Capital assets, net of related debt	848,793	942,272
Unrestricted	<u>809,581</u>	<u>854,911</u>
TOTAL NET ASSETS	<u>1,658,374</u>	<u>1,797,183</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,788,123</u>	<u>\$ 2,467,642</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2012

2012				Net(Expense) Revenue and Changes in Net Assets
Program Revenues				
Expenditures	Charges for Services	Operating Grants and Contributions	Government Activities	
Governmental Activities				
Program Services				
Salaries/Wages	130,635			(103,799)
Employee Benefits	21,938			(18,576)
Professional	9,941			(8,643)
Supplies and materials	1,391			(1,391)
Depreciation	47,033			(47,033)
Other operating expenses	288,415	45,708	186,959	(55,748)
Debt service	32,208			(32,208)
Grants	3,452,000		3,452,000	0
Total Governmental Activities	3,983,561	45,708	3,670,455	(267,398)
General Revenues				
Interest				200
Gain on land				38,389
CDC Grant				90,000
Total General Revenues				128,589
Changes in Net Assets				(138,809)
Net Assets-Beginning of Year				1,797,183
Net Assets-End of Year				\$ 1,658,374

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011

2011				Net (Expense) Revenue and Changes in Net Assets
Program Revenues				
Expenditures	Charges for Services	Operating Grants and Contributions	Government Activities	
Governmental Activities				
Program Services				
Salaries/wages	250,439			(122,951)
Employee benefits	104,132			(81,739)
Professional	4,308			(2,458)
Bad debts	5,200			(5,200)
Depreciation	47,658			(47,658)
Other operating expenses	372,993	244,729	224,167	95,903
Debt services	<u>30,602</u>			(30,602)
Total Governmental Activities	<u>815,332</u>	<u>244,729</u>	<u>375,898</u>	<u>(194,705)</u>
General Revenues				
Interest				966
CDC Grant				<u>75,000</u>
Total General Revenues				<u>75,966</u>
Changes in Net Assets				(118,739)
Net Assets – Beginning of Year				<u>1,915,922</u>
Net Assets – End of Year				<u>\$ 1,797,183</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
BALANCE SHEETS-GOVERNMENTAL FUNDS
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 743,285	\$ 896,983
Accounts receivable	<u>1,550,352</u>	<u>14,903</u>
TOTAL ASSETS	<u>\$ 2,293,637</u>	<u>\$ 911,886</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 1,455,824	\$
Accrued liabilities	177	5,400
Due other governments	<u>28,056</u>	<u>51,575</u>
TOTAL LIABILITIES	<u>1,484,057</u>	<u>56,975</u>
Unassigned	<u>809,580</u>	<u>854,911</u>
TOTAL NET ASSETS	<u>809,580</u>	<u>854,911</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,293,637</u>	<u>\$ 911,886</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY – GOVERNMENTAL FUNDS**
For the Years Ended December 31, 2012 & 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Use of money	\$ 200	\$ 965
CDC grant	90,000	75,000
State aid	2,053,170	78,398
County aid	1,617,285	297,500
Miscellaneous fees	42,628	234,650
Rental	3,080	10,080
Gain on sale of land	<u>53,622</u>	<u> </u>
	<u>3,859,985</u>	<u>696,593</u>
EXPENSES		
Salaries	130,635	250,439
Fringe	32,329	104,132
Promotion	188,906	239,486
Dues/subscriptions	2,072	2,644
Insurance	12,070	10,599
Professional	9,941	4,308
Office	23,026	25,919
Postage	1,423	2,903
Telephone	2,589	3,074
Travel	2,062	3,457
Miscellaneous	2,213	2,646
Operations	46,050	82,265
Bad debt		5,200
Grants	<u>3,452,000</u>	<u>0</u>
	<u>3,905,316</u>	<u>737,072</u>
NET INCREASE (DECREASE)	(45,331)	(40,479)
NET ASSETS BEGINNING	<u>854,911</u>	<u>895,390</u>
NET ASSETS ENDING	<u>\$ 809,580</u>	<u>\$ 854,911</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
For the Years Ended December 31, 2012

	Total Governmental Funds	Long-Term Assets Liabilities	Statement of Net Assets Totals
ASSETS			
Cash and Cash Equivalents-Unassigned	\$ 743,285	\$	\$ 743,285
Accounts receivable	1,550,352		1,550,352
Fixed Assets-Net	<u> </u>	<u>1,494,486</u>	<u>1,494,486</u>
Total Assets	<u>2,293,637</u>	<u>1,494,486</u>	<u>3,788,123</u>
LIABILITIES			
Accounts Payable/accrued liability	1,484,057		1,484,057
Long Term Debt – Current Portion		645,692	645,692
Long Term Debt	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,484,057</u>	<u>645,692</u>	<u>2,129,749</u>
FUND EQUITY			
Total Fund Equity	<u>809,580</u>	<u>848,794</u>	<u>1,658,374</u>
Total Liabilities and Fund Equity	<u>\$ 2,293,637</u>	<u>\$ 1,494,486</u>	<u>\$ 3,788,123</u>
Total Governmental Fund Balance			\$ 809,580
Amounts reported for Governmental Activities in the Statement of Net Assets are Different because: Capital Assets used in Governmental Activities are not Resources and therefore are not reported in the funds.			
			1,494,486
Long-term Liabilities, including Notes Payable, are not due and payable in the Current period and therefore not reported in the funds.			
			<u>(645,692)</u>
Total Net Assets			<u>\$ 1,658,374</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
**RECONCILIATION OF GOVERNMENTAL FUNDS, REVENUE,
EXPENDITURES, AND CHANGES IN FUND EQUITY
TO THE STATEMENT OF ACTIVITIES**
December 31, 2012

	<u>Fund Statement</u>	<u>Capital Related Items</u>	<u>Long-Term Debt Transactions</u>	<u>Statement of Activities Totals</u>
REVENUES				
Use of Money	\$ 200			200
CDC grant	90,000			90,000
State aid	2,053,170			2,053,170
County aid	1,617,285			1,617,285
Miscellaneous fees	42,628			42,628
Rental	3,080			3,080
Gain on sale of land	<u>53,622</u>	<u>(15,233)</u>		<u>38,389</u>
Total Revenues	<u>3,859,985</u>	<u>(15,233)</u>		<u>3,844,752</u>
EXPENSES				
Salaries	130,635			130,635
Fringe	32,329			32,329
Promotion	188,906			188,906
Dues/subscriptions	2,072			2,072
Insurance	12,070			12,070
Professional	9,941			9,941
Office	23,026	(995)		22,031
Postage	1,423			1,423
Telephone	2,589			2,589
Travel	2,062			2,062
Miscellaneous	2,213			2,213
Operations	46,050		32,207	78,257
Depreciation		47,033		47,033
Grants	<u>3,452,000</u>			<u>3,452,000</u>
Total Expenses	<u>3,905,316</u>	<u>46,038</u>	<u>32,207</u>	<u>3,983,561</u>
NET INCREASE (DECREASE)	<u>(45,331)</u>	<u>(61,271)</u>	<u>(32,207)</u>	<u>(138,809)</u>
Net Change in Fund Balance				(45,331)
Depreciation Expense recorded in the Statement of Activities, but not in Governmental Funds				(47,033)
Expenditures for acquisition of capital assets (net) recorded in the Governmental Funds, but not in the Statement of Activities				995
Accrued interest reported in the statement of Statement of Activities				(32,207)
Gain on sale of land includes land basis in Statement of Activities				<u>(15,233)</u>
Change in Net Assets of Governmental Activities				<u>\$ (138,809)</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin County Industrial Development Agency have been prepared in conformity with generally accepted accounting principles (GAAP). Significant accounting policies are:

ORGANIZATION AND PURPOSE

The Agency was created in 1970 by the Franklin County Board of Legislators under the provisions of Chapter 18A encouraging economic growth in Franklin County, New York. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Franklin County Board of Legislators, is a separate entity and operates independently of Franklin County.

Basis of presentation:

Entity wide financial statements- the Statement of Net Assets and the Statement of Activities- present financial information about the IDA's governmental activities. These statements include the financial activities of the overall government in its entirety.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the IDA's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues are classified as general revenues.

Governmental Funds financial statements – Balance Sheets and Statements of Revenue, Expenditures, and Changes in Fund Balances- provide information about the IDA's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of the governmental fund financial statements is on major governmental funds, each displayed in a separate column. The IDA reports the following major governmental funds.

General Fund: Primary operating fund accounting for all financial transactions not required to be in another fund.

Measurement focus and basis of accounting:

The entity wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, may include grants and donations. On an accrual basis, revenue is recognized in the fiscal year for which the revenue is earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
NOTES TO FINANCIAL STATEMENTS (Cont'd)
December 31, 2012

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt or claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

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.

Property, Plant and Equipment

Buildings, land, furniture and fixtures are recorded at cost if purchased or constructed; or at fair market value on the date of gift, if donated. Depreciation is recognized on the straight-line basis over the estimated useful life of the assets. In all cases, costs of major renewals and improvements are capitalized as incurred. Maintenance and repair costs are charged to expense.

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 Agency 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.

Investments

The Agency's investment policies are governed by state statutes. Agency monies are required to be deposited in FDIC insured commercial banks or trust companies located within the state. The Agency is authorized to use demand accounts and certificates of deposit.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2012

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less as cash equivalents. There were no such items at the beginning of the year or the end of the year.

Bad Debts

Bad debts are recognized by the agency in the year they are determined worthless. Debts were considered worthless for 2012 \$0 and \$5,200 for 2011.

NOTE B – CASH AND CONCENTRATION OF CREDIT RISK

As of December 31, 2012 all bank accounts were entirely insured or collateralized in the agency's name.

NOTE C – REVOLVING FUNDS

The Agency has established a revolving loan fund offering low interest loans to area businesses. The governing board approves the loans after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest. No provision has been made for uncollectible accounts as required by Generally Accepted Accounting Principles. At the end of December 31, 2012 all of the remaining revolving loan funds were transferred to the Franklin County Local Development Corporation.

NOTE D – 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 is retired by lease payments. The bonds and notes are not obligations of the Agency of the State. 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. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

NOTE E – FRANKLIN COUNTY LOCAL DEVELOPMENT CORPORATION

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 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.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2012

NOTE F – CONTINGENCIES AND COMMITMENTS

The Agency 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.

The agency has received \$249,495 from New York State regarding its Brownfield Study at the Bombay facility. These costs will have to be repaid to New York State after the agency recoups its 10% investment.

NOTE G – LONG TERM DEBT

	<u>2012</u>	<u>2011</u>
Note payable Franklin County Local Development Corporation, due September 14, 2013, interest accruing At 5 ¼ per annum.	\$ 645,692	\$ 613,484
	645,692	613,484
Current Portion	(645,692)	(0)
LTD	<u>\$ 0</u>	<u>\$ 613,484</u>

NOTE H – CAPITAL ASSETS

Capital asset balances and activity for the year ended were as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 170,027	\$ _____	\$ (15,233)	\$ 154,794
Total nondepreciable historical Cost	<u>\$ 170,027</u>	<u>\$ _____</u>	<u>\$ (15,233)</u>	<u>\$ 154,794</u>
Capital assets that are depreciated:				
Buildings	\$ 1,789,542	\$ _____	\$ _____	\$ 1,789,542
Furniture and equipment	<u>57,908</u>	<u>995</u>	<u>_____</u>	<u>58,903</u>
Total depreciable historical cost	<u>1,847,450</u>	<u>995</u>	<u>_____</u>	<u>1,848,445</u>
Less accumulated depreciation:				
Buildings	(406,399)	(45,658)	_____	(452,057)
Furniture and equipment	<u>(55,322)</u>	<u>(1,375)</u>	<u>_____</u>	<u>(56,697)</u>
Total accumulated depreciation	<u>(461,721)</u>	<u>(47,033)</u>	<u>_____</u>	<u>(508,754)</u>
Total depreciable historical cost net	<u>\$ 1,385,729</u>	<u>\$ (46,038)</u>	<u>\$ _____</u>	<u>\$ 1,339,691</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2012

NOTE I – RETIREMENT

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contributes 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute at an actuarially determined rate. The Agency contributions made to the System were equal to 100% of the contributions required for each year.

NOTE J- BROWNFIELD GRANT

The Agency through the New York State Department of Environmental Conservation has received a Brownfield Study Grant to evaluate its Bombay facility. The State will match up to 90% of the cost of the study. Upon the future sale or disposal of the site New York State will be required to be repaid after the agency recoups its 10% of costs. As of December 31, 2012 costs have been reimbursed by to New York State in the amount of \$249,495.

NOTE K – POST EMPLOYMENT BENEFITS

The Agency does not provide for post-employment benefits for employees. No accrual of post employment benefits has been made in the financial statements.

NOTE L – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from 12/31/12 through 3/28/13, the date the financial statements were available to be issued for possible disclosure and recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2012

NOTE M – INCOME TAX

The IDA was determined to be exempt from federal reporting requirements under Internal Revenue Procedure 95-48, 1995-2 C.B. 418 as a government unit or affiliate of a government unit described in such procedure. Also, IDA is exempt from state income tax reporting requirements under Article 7-A and EPTL.

Accounting principles generally accepted in the United States of America require the IDA to evaluate all significant tax positions. As of 12/31/12 the IDA does not believe that it has taken any positions that would require the recording of any tax liability, nor does it believe that there are any unrealized tax benefits that should be recorded or that would increase or decrease within the next year.

NOTE N – NET ASSET CLASSIFICATION

Entity Wide Statements

In the entity wide statements there are three classes of net assets.

Invested in Capital Assets, Net of Related Debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets. The IDA had \$848,793 and \$942,272 invested in capital assets, net of related debt as of December 31, 2012 and 2011 respectively.

Restricted Net Assets- reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The IDA had \$0 and \$0 in restricted net assets as of December 31, 2012 and 2011 respectively.

Unrestricted Net Assets- reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the IDA. The IDA had \$809,581 and \$854,911 in unrestricted net assets as of December 31, 2012 and 2011 respectively.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2012

Governmental Funds Statements

In the governmental funds statements there are five classifications of fund balance.

Non-Spendable-includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The IDA had \$0 in non-spendable fund balance as of December 31, 2012 and 2011 respectively.

Restricted- includes amounts with constraints placed on the use of resources either externally imposed creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The IDA had \$0 in restricted fund balances as of December 31, 2012 and 2011 respectively.

Committed- includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the IDA's highest level of decision making authority i.e. the Board of Directors. The IDA had \$0 in committed fund balance as of December 31, 2012 and 2011 respectively.

Assigned- includes amounts that are constrained by the IDA intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. The IDA had \$0 and \$0 in assigned fund balance as of December 31, 2012 and 2011 respectively.

Unassigned-includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be for general use. The IDA had \$809,580 and \$854,911 in unassigned fund balance as of December 31, 2012 and 2011 respectively.

Order of Use of Fund Balance

The IDA's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

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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**

To the Board of Directors
Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
10 Elm Street
Malone, New York 12953

We have audited, in accordance with the 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, the financial statements of the governmental activities, of the Franklin County Industrial Development Agency a Component Unit of Franklin County, New York, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Franklin County Industrial Development Agency a Component Unit of Franklin County, New York's basic financial statements, and have issued our report thereon dated March 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Franklin County Industrial Development Agency a Component Unit of Franklin County, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Industrial Development Agency a Component Unit of Franklin County, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin County Industrial Development Agency a Component Unit of Franklin County, New York's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there

is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County Industrial Development Agency a Component Unit of Franklin County, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Malone, New York

March 28, 2013

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

479 E. Main Street, Malone, New York 12953

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5 Hodskin Street, Canton, New York 13617

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March 28, 2013

To the Board of Directors of:
Franklin County Industrial Development Agency
10 Elm Street
Malone, New York 12953

We have audited the financial statements of the Franklin County Industrial Development Agency for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 31, 2013. Professional standards also require that we communicate to you the following information related to our audit.

A. The Auditor's Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 31, 2013 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all materials respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Franklin County Industrial Development Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Franklin County Industrial Development Agency's compliance with those requirements.

B. Planned Scope and Timing of the Audit

The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result for (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We have communicated our significant findings as outlined below.

We began our audit on February 4, 2013 and intend to issue our report on approximately March 28, 2013.

C. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Franklin County Industrial Development Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2012. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatement identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the opinion unit's financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 28, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accounting to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the applications of accounting principles and auditing standards, with management each year prior to retention as the Franklin County Industrial Development Agency's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the Board of Directors and Management of the Franklin County Industrial Development Agency and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

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

Douglas S. Wood, C.P.A., P.C.
Malone, New York