

**HERKIMER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Financial Statements and
Other Financial Information

**HERKIMER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

December 31, 2012 and 2011

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6

FINANCIAL STATEMENTS

Statements of Financial Position	7
Statements of Activities	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 13

SUPPLEMENTARY INFORMATION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 - 15
Schedule of Findings	16
Schedule of IDA Projects	17 - 24

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Herkimer County Industrial Development Agency
Herkimer, New York

We have audited the accompanying statements of financial position of Herkimer County Industrial Development Agency as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Herkimer County Industrial Development Agency as of December 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of Herkimer County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barone, Howard & Co., CPAs, P.C.
Barone, Howard & Co., CPAs, PC

March 22, 2013

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2012 and 2011

This section of the Agency's financial statements presents management's overview and analysis of the Agency's financial performance for the year ended December 31, 2012. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

The change in net assets in 2012 was approximately \$18,000. The change this year was primarily caused by grant and rental income exceeding their related expenses.

Future operating results depend upon how successful the Agency and Herkimer County are in developing its various business parks within the County. This activity, along with the administration of revolving loans to area businesses, generates fees and interest income for the Agency. In addition to these activities the Agency is expected to continue to need operating subsidies from Herkimer County.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Agency report information about the Agency using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Financial Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. The Statement of Activities presents information showing how the Agency's net assets changed during the 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 recorded in this statement for some items that will result in cash flows in future periods.

The financial statements can be found on pages 7 to 9 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within financial statements. The notes to the financial statements can be found on pages 10 to 13 of this report.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2012 and 2011

FINANCIAL ANALYSIS

This section summarizes information and data as related to the Statements of Financial Position as of December 31, 2012 and 2011, and the Statement of Activities for those years then ended.

Statement of Net Assets

Table 1 shows all of the assets and liabilities of the Agency and is presented on the accrual basis. Total net assets are up approximately \$18,000 from the prior year. See the FINANCIAL HIGHLIGHTS section for some of the details relating to this gain.

Table 1
Net Assets

	December 31, 2012	December 31, 2011
Current assets	\$ 1,451,590	\$ 1,465,060
Capital and other assets	9,113,080	9,199,209
Total assets	<u>\$ 10,564,670</u>	<u>\$ 10,664,269</u>
Current liabilities	\$ 18,338	\$ 18,209
Long-term liabilities	2,259,320	2,376,887
Total liabilities	<u>\$ 2,277,658</u>	<u>\$ 2,395,096</u>
 Total net assets	 <u>\$ 8,287,012</u>	 <u>\$ 8,269,173</u>

Statement of Activities

Table 2 summarizes the revenue and expenses of the Agency and is also presented on the accrual basis. Operating revenues in 2012 were lower than 2011. Fewer fees were generated in 2012. Additionally, in 2011 the Agency received grants that were spent on capital expenditures. This means that in 2011 grant revenue was recorded but the corresponding expenditures were capitalized rather than shown as a current year expense. These grant funds were used for improvements to the Frankfort 5S South Business Park. This change in assets is also described in the FINANCIAL HIGHLIGHTS section.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2012 and 2011

Table 2
Change in Net Assets

	December 31, 2012	December 31, 2011
Revenue:		
Grants, fees and miscellaneous	\$ 589,704	\$ 2,000,028
Rental and interest income	142,666	146,711
Herkimer County operating subsidy	100,000	110,000
	<u>\$ 832,370</u>	<u>\$ 2,256,739</u>
Expenses:		
Operations and grants	\$ 721,468	\$ 1,264,108
Interest	3,298	3,519
Depreciation and amortization	89,765	89,835
	<u>\$ 814,531</u>	<u>\$ 1,357,462</u>
Change in net assets	<u>\$ 17,839</u>	<u>\$ 899,277</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

This section includes a description of significant capital assets and long-term debt activity during the year.

Capital Assets

The Agency owns property located in the Towns of Frankfort, Schuyler and Manheim. All of these sites are intended to be sold or leased to new or existing businesses. The impetus is to develop business growth and job opportunities for residents of Herkimer County. The following schedule shows the investment in these properties:

	Frankfort	Schuyler	Manheim
Land and site improvements	\$ 6,444,141	\$ 666,874	\$ 91,668
Buildings	2,143,642	-	-
	<u>8,587,783</u>	<u>666,874</u>	<u>91,668</u>
Accumulated depreciation	594,053	87,862	204
	<u>594,053</u>	<u>87,862</u>	<u>204</u>
Net book value	<u>\$ 7,993,730</u>	<u>\$ 579,012</u>	<u>\$ 91,464</u>

Long-Term Debt

The Agency has long-term debt associated with these properties. Details of these debt instruments are more fully described in the footnotes to the financial statements.

**HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2012 and 2011**

ECONOMIC FACTORS AND FUTURE OUTLOOK

The Herkimer County Industrial Development Agency, on behalf of Herkimer County, continues to pursue business opportunities for the residents of Herkimer County. The Agency has taken a proactive role in this regard by being the lead agency for Herkimer County in property development to entice businesses to locate and grow in Herkimer County. While the success of these endeavors is also affected by economic conditions outside the control of this Agency, it will still continue to optimize Herkimer County's opportunities for economic expansion.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances for all those who have an interest in this Agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to Mark Feane, Executive Director, Herkimer County Industrial Development Agency, 320 North Prospect Street, Herkimer, New York 13350.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,303,472	\$ 1,324,668
Current portion of loans receivable	148,118	140,392
Total current assets	<u>1,451,590</u>	<u>1,465,060</u>
Property and equipment, at cost:		
Land	1,581,255	1,581,256
Road and site improvements	5,610,816	5,601,484
Buildings	2,143,642	2,143,642
Office contents	10,612	10,612
	<u>9,346,325</u>	<u>9,336,994</u>
Less accumulated depreciation	682,119	593,812
Property and equipment, net	<u>8,664,206</u>	<u>8,743,182</u>
Other assets:		
Noncurrent portion of loans receivable	448,874	454,570
Financing costs, net	-	1,457
	<u>448,874</u>	<u>456,027</u>
Total Assets	<u>\$ 10,564,670</u>	<u>\$ 10,664,269</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 17,566	\$ 17,392
Accrued interest	772	817
Total current liabilities	<u>18,338</u>	<u>18,209</u>
Other liabilities:		
Note payable from USDA	282,305	299,872
Long-term debt	1,354,365	1,354,365
Advances from Herkimer County	622,650	722,650
Total other liabilities	<u>2,259,320</u>	<u>2,376,887</u>
Net assets:		
Unrestricted net assets	7,791,376	7,809,450
Restricted GOSC net assets	495,636	459,723
Total net assets	<u>8,287,012</u>	<u>8,269,173</u>
Total Liabilities and Net Assets	<u>\$ 10,564,670</u>	<u>\$ 10,664,269</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Activities
For the years ended December 31, 2012 and 2011

	2012	2011
Unrestricted Net assets:		
Unrestricted revenue and gains:		
Operating subsidy - Herkimer County	\$ 65,000	\$ 65,000
Empire Zone grant - Herkimer County	35,000	45,000
Miscellaneous fees	180,023	257,933
Total unrestricted revenue	280,023	367,933
Operating expenses:		
Salaries	196,257	192,246
Social security and medicare	14,925	14,632
Pension	38,048	30,492
Health insurance and other fringe benefits	57,842	52,336
Insurance - general liability	4,546	11,116
Professional fees	14,000	40,981
Telephone, postage and office	7,086	7,703
Travel	2,321	2,347
Miscellaneous	4,368	5,695
Total operating expenses	339,393	357,548
Change in unrestricted net assets from regular operations	(59,370)	10,385
Other unrestricted income (expenses):		
Interest expense	(3,298)	(3,519)
Depreciation and amortization	(89,765)	(89,835)
Rental income	126,400	126,400
Interest income	16,266	20,311
Grants expended	(364,810)	(881,723)
Grants received	399,681	1,742,095
NYS assessment tax	-	24,000
Sale of land	10,000	-
Business park marketing	(14,296)	(21,716)
Business park site maintenance	(2,969)	(27,121)
Total other income (expenses)	77,209	888,892
Increase in unrestricted net assets	17,839	899,277
Net assets at beginning of year	8,269,173	7,369,896
Net assets at end of year	\$ 8,287,012	\$ 8,269,173

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows
For the years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 17,839	\$ 899,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	89,765	89,835
Changes in assets and liabilities affecting cash flow from operating activities:		
Accounts payable	-	(24,000)
Accrued interest	(45)	(44)
Total adjustments	89,720	65,791
Net cash provided by operating activities	<u>107,559</u>	<u>965,068</u>
Cash flow from investing activities:		
Purchase of business property	(9,333)	-
Loans receivable collected	80,504	(434,299)
Loans receivable provided	(82,533)	(191,000)
Net cash used by investing activities	<u>(11,362)</u>	<u>(625,299)</u>
Cash flow from financing activities:		
Loan repaid to Herkimer County	(100,000)	(113,216)
Loan repaid to USDA	(17,393)	(4,005)
Net cash used by financing activities	<u>(117,393)</u>	<u>(117,221)</u>
Net increase (decrease) in cash	(21,196)	222,548
Cash at the beginning of year	<u>1,324,668</u>	<u>1,102,120</u>
Cash at the end of the year	<u><u>\$ 1,303,472</u></u>	<u><u>\$ 1,324,668</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 3,563	\$ 3,737

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
For the years ended December 31, 2012 and 2011

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and Purpose

The Agency was created on October 5, 1970 by the New York State Legislature under the provisions of Chapter 410 of the 1970 Laws of New York State for the purpose of encouraging economic growth in the County of Herkimer. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the New York State Legislature, is a separate entity and operates independently of the County of Herkimer.

Property and Office Contents

Property and office contents acquired by the Agency are stated at cost (or estimated historical cost) including interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received. There are no reversionary interests by the grantor in the assets. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. It is the Agency's policy to capitalize expenditures for these items in excess of \$1,000.

Advertising Costs

It is the Agency's policy to expense currently advertising costs as they are incurred.

Financing Costs

Costs incurred to obtain long-term debt are being amortized over a 15-year period.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain amounts appearing in the 2011 financial statements have been reclassified to facilitate comparison with the 2012 financial statements.

Subsequent Events

Management has evaluated subsequent events through March 22, 2013, the date which the financial statements were available to be issued.

Cash and Cash Equivalents

The Agency includes all highly liquid investments with original maturities of 90 days or less in cash and cash equivalents on the accompanying statement of financial position.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements - continued
For the years ended December 31, 2012 and 2011

Note 2 ALLOWANCE FOR DOUBTFUL ACCOUNTS

Loans that have been made are not always collected in full. At year-end management makes an assessment of its loan portfolio to estimate which loans might not be collected in full. With this estimate an allowance for potential uncollectable loans is recorded with a corresponding charge to bad debt expense. As loans are determined to be totally uncollectable they are written off against this provision.

Loan allowances at year-end were affected as follows:

	2012	2011
Beginning loan allowances	\$ 21,985	\$ 56,444
New allowances provided for	-	-
Loans written off	-	(34,459)
Ending loan allowances	\$ 21,985	\$ 21,985

Note 3 GRANT ACTIVITY FROM HERKIMER COUNTY

The Agency receives on a recurring basis grant amounts from Herkimer County used for current operating expenses. The Agency also has been awarded grants from Herkimer County to assist in the development of business parks located in Herkimer County.

Note 4 CONCENTRATIONS OF CREDIT RISK

The Agency heavily depends upon Herkimer County to provide operating grants to allow for the continuation of the Agency. Additionally, the offices occupied by the Agency are provided free of charge by Herkimer County.

The Agency maintained cash balances above FDIC insurance limitations amounting to approximately \$806,195 at December 31, 2012. These cash amounts were collateralized by the banks' pledge agreements.

Note 5 RESTRICTED GOSC NET ASSETS

This amount represents the cash being held at year-end that is only available for making revolving loans to qualified businesses. The source of these funds is from federal grants previously awarded to the Agency through the New York State Governor's Office for Small Cities (GOSC).

Note 6 OCCUPANCY EXPENSES

The Agency occupies office space in the Village of Herkimer, New York. The office space and utilities are provided free of charge by Herkimer County. The value of these services have not been estimated nor recorded on the accompanying financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements - continued
For the years ended December 31, 2012 and 2011

Note 7 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 1,581,256	\$ -	\$ -	\$ 1,581,256
Property improvements not yet in service	4,573,727	9,333	-	4,583,060
Assets being depreciated:				
Buildings and infrastructure	3,171,399	-	-	3,171,399
Office contents	10,612	-	-	10,612
Total property and office contents	9,336,994	9,333	-	9,346,327
Accumulated depreciation:				
Buildings and infrastructure	583,200	88,309	-	671,509
Office contents	10,612	-	-	10,612
Total accumulated depreciation	593,812	88,309	-	682,121
Total property and office contents, net	\$ 8,743,182	\$ (78,976)	\$ -	\$ 8,664,206

Note 8 PENSION PLAN

The Agency participates in the New York State and Local Employees' Retirement System. This is a cost sharing multiple public employer retirement system.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service.

The NYSRSSL provides that all employers in each system are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System is noncontributory except for employees who joined the Employees' Retirement System after July 27, 1976. These employees contribute 3% of their salary. Employee contributions are deducted by employers from employees' paychecks and are sent currently to the Employees' Retirement System.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements - continued
For the years ended December 31, 2012 and 2011

Note 8 PENSION PLAN - continued

Employee Groups Covered

Substantially all of the Agency's employees are eligible for membership in the system. Employees employed in a full-time position who commenced employment after June 30, 1976, are mandatory members. Retirement expense charged to operations was \$38,048 and \$30,492 for the years ended December 31, 2012 and 2011, respectively.

Note 9 NOTES PAYABLE

	2012	2011
Note payable, dated August 21, 1998, from Herkimer County, at 0% interest. Repayment of this note will occur as the Agency sells land and buildings to the public.	\$ 1,354,365	\$ 1,354,365
 Note payable, dated September 29, 1998, from the United States Department of Agriculture, interest at 1%. Annual payments commenced on September 29, 2001, for thirty years. Security consists of the entire portfolio of investments derived from the proceeds of the loan, including all funds in the Intermediary Relending Fund.	 <u>299,871</u>	 <u>317,264</u>
	1,654,236	1,671,629
Less current portion	<u>17,566</u>	<u>17,392</u>
 Amount due after one year	 <u><u>\$ 1,636,670</u></u>	 <u><u>\$ 1,654,237</u></u>

Maturities of notes payable for the next five years, and in the aggregate:

2013	\$ 17,566
2014	17,600
2015	17,850
2016	18,150
2017	18,600
Thereafter	<u>1,564,470</u>
	<u><u>\$ 1,654,236</u></u>

In recent years, the Agency has received funds from Herkimer County that were used for the development of business parks along route 5S in Frankfort, New York. These advances are expected to be repaid to Herkimer County as cash is received by the Agency. These advances presently bear no interest. The balance owed to Herkimer County at December 31, 2012 and 2011 was \$622,650 and \$722,650, respectively.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' 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
Herkimer County Industrial Development Agency
Herkimer, New York

We have audited the financial statements of Herkimer County Industrial Development Agency, as of and for the year ended December 31, 2012, and have issued our report thereon March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We do not consider the deficiency described in the accompanying schedule of findings to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Agency's Board of Directors, management, and grantors and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Barone, Howard & Co. CPAs, P.C.
BARONE, HOWARD & Co., CPAs, P.C.

March 22, 2013

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings and Questioned Costs
For the year ended December 31, 2012

FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2012

2012-1 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Agency to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, the draft of the financial statements was prepared by the auditors and approved by the Agency.

Effect: The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This new standard considers the need for significant adjusting journal entries and assistance when preparing financial statements to be indicative of an internal control deficiency.

Auditors' Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the Agency should continue to review and approve both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

Herkimer County Industrial Agency's Response: The Agency will continue to review and approve proposed adjusting journal entries, footnote disclosures and draft financial statements prepared by our auditors. Additionally, the Agency will continue to seek routine advice from its independent certified public accounting firm in providing journal entries and in preparation of its financial statements.

Year ended December 31, 2011

This same condition existed for the year ended December 31, 2011.

B. COMPLIANCE AND OTHER MATTERS

Year ended December 31, 2012

There were no instances of noncompliance reported during the year ended December 31, 2012.

Year ended December 31, 2011

There were no instances of noncompliance reported during the year ended December 31, 2011.

IDA Projects Bulk Load Worksheet

Version 1.7

IDA Projects

Enter IDA projects information below

Columns whose names contain "-" are required and must have values for each record to be loaded. Do not enter blank lines, as a blank line (a line with no information) will be regarded as the end of the file. Do not enter commas, letters or \$ signs in numeric fields. The worksheet must be saved as type "csv" in order to be uploaded to PARIS. Select "Save As" from the "File" menu above and select "CSV (comma delimited)" as the file type. Note: Most cells have some level of validation, however, validation in Excel only functions when you actually type data in the cell. It is recommended that you selectively check validation in rows that you have copied data into.

Project Code	Project Type	Project Name	Project Purpose Category	Total Project Amount	Benefited Project Amount	Bond/Note Amount	Annual Lease Payment	Federal Tax Status of Bonds	Is the applicant a Not for Profit corporation?	Date Project Approved?	Did the IDA take title or Leasehold interest in the property?	Date IDA took title or Leasehold interest in Property
2101-07-05A	Lease	Ascom Products	Manufacturing	200000	200000		500		N	10/25/2007	Y	12/18/2007
2101-10-01A	Lease	Atlantic Wind, LLC	Other Categories	200000000	600000000		0		N	03/09/2011	Y	02/23/2011
2101-07-04A	Bonds/Notes Issuan	Burrows Paper Corporation	Manufacturing	2500000	2500000			Taxable	N	06/28/2007	Y	11/16/2007
2101-11-01A	Lease	ELG Unica Alloys, Inc.	Manufacturing	5500000	3750000		0		N	03/24/2011	N	
2101-05-04A	Lease	Empire Fibreglass	Manufacturing	549100	340000		500		N	08/31/2007	Y	02/23/2006
2101-05-08A	Bonds/Notes Issuan	Folts Adult Home DBA Folts	Civic Facility	7885000	7885000			Tax Exempt	Y	06/10/2007	Y	06/30/2005
2101-06-05A	Lease	Caston/Old Forge Kampground	Services	2930000	2930000		0		N	11/16/2007	Y	01/25/2007
2101-01-05A	Bonds/Notes Issuan	Hale Manufacturing Company	Manufacturing	2960000	2960000			Taxable	N	06/01/2007	Y	12/19/2001
2101-03-01A	Lease	Heidelberg Baking Company	Manufacturing	400000	351000		500		N	07/16/2007	Y	03/02/2004
2101-02-01A	Bonds/Notes Issuan	Herkimer County College Foun	Civic Facility	4710000	0	4710000		Tax Exempt	N	10/23/2007	Y	07/31/2003
2101-06-01A	Bonds/Notes Issuan	Herkimer County College Foun	Civic Facility	6305000	0	6305000		Tax Exempt	Y	08/23/2007	Y	10/31/2000
2101-01-04A	Lease	Hummel's Office Equipment	Manufacturing	650000	450000		0		N	05/23/2007	Y	10/19/2001
15	Lease	NYSE&G	Other Categories	500000	375000		0		N	09/23/1998	Y	11/05/1998
2101-12-07A	Lease	Old Forge Camping Reson/K	Other Categories	5900000	5900000		0		N	10/25/2011	Y	12/12/2012
2101-12-03A	Tax Exemptions	Old Forge Properties	Other Categories	7000000	7000000				N	04/26/2011	Y	11/29/2012
2101-05-03A	Lease	Precision Polish	Manufacturing	1189000	939000		0		N	07/27/2007	Y	09/28/2005
2101-12-08A	Tax Exemptions	Price Chopper Operating Co.	Retail Trade	6459149	6459149				N	11/29/2011	N	
2101-06-02A	Lease	Remington Steam LLC	Manufacturing	0	0		0		N	04/05/2007	Y	04/05/2006
2101-06-04A	Bonds/Notes Issuan	Schuyler Wood Pellet LLC	Manufacturing	9000000	9000000			Taxable	N	07/20/2007	Y	12/28/2007

2101-05-02A	Lease	Stocum Dickson Medical Gro.	N	Services	3873511	3591417	0	N	07/27/200	Y	08/31/2005
2101-12-01A	Lease	Street/Ponte Chevrolet, Inc./PA	N	Retail Trade	1250000	1250000	0	N	01/26/201	N	
2101-99-04A	Bonds/Notes Issuar	Templeton Foundation	N	Civic Facility	10700000	10700000	0	Tax Exempt	11/17/199	Y	01/13/2000
2101-06-01A	Lease	Titanium Processors LLC	N	Manufacturing	2980000	2200000	0		03/15/200	Y	06/01/2007
2101-12-02A	Lease	Tractor Supply Store	N	Retail Trade	2700000	2700000	0		02/22/201	N	
2101-12-05A	Lease	TRB Associates, LLC - c/o Ox	N	Construction	5815600	3000000	0		10/25/201	Y	01/19/2013
2101-05-07A	Lease	Turbo Machined Products	N	Manufacturing	675000	525000	500		10/26/200	Y	02/24/2006
2101-08-01A	Lease	Turbo Machined Products Exp	Y	Manufacturing	1500000	1500000	0		08/28/200	Y	02/24/2006
2101-05-01A	Lease	Ventura Development - NBT	N	Finance, Insuranc	500000	270000	0		03/23/200	Y	07/27/2005
2101-06-01A	Lease	Water's Edge	N	Services	3950000	3950000	500		06/22/200	Y	06/29/2006
2101-12-06A	Lease	Water's Edge Inn/K & K Lodge	N	Other Categories	5000000	5000000	0		10/25/201	N	
2101-07-08A	Lease	Widewaters Dev - Applebees	N	Other Categories	0	0	0		08/28/199	Y	10/12/1999
2101-04-01A	Lease	Wilson International	N	Manufacturing	0	0	0		06/23/200	Y	09/29/2004

Year Financial Assistance is Planned to End		Notes		Location of Project				Applicant Name		Country Name of Applicant	
Year	Financial Assistance is Planned to End	Notes	Address Line 1	Address Line 2	City	State	Postal Code	Province/Region	Country	Other	Address Line 1
2019		manufacturing	27 Pleasant Ave		ILION	NY	13357		USA		Acorn Products (27 Pleasant Ave
2031		This is a negotiated PILOT (wind mill energy) contract. Assessment is not used.	Hardscabble Road	Towns Fairfield, Norway, Ltd	NEWPORT	NY	13416		USA		Iberola Renew (1125 NW Couch Street
2015		This equipment project was strictly to retain employment, no sales tax exemption.	501 W. Main Street		LITTLE FALLS	NY	13365		USA		Burrows Paper Co (501 W. Main St.
2022		No PILOT negotiated for this project. Company pays full taxes	378 Gros Boulevard		HERKIMER	NY	13350		USA		ELG Utica Alloy, PO Box 53
2017		Manufacturing	Neal Baum	Riverside Industrial Park	LITTLE FALLS	NY	13365		USA		Empire Fibreglas/Riverside Industrial Park
2040		This is a 501 C3 facility (nursing home). Not taxable, no PILOT in place	104 N. Washington St		HERKIMER	NY	13350		USA		Folts Adult Hom (104 N. Washington St
2020		This is a tourism destination project. Project start up delayed, awaiting Adirondack Route 28			OLD FORGE	NY	13420		USA		Gaston LLC/Old Route 28
2017		Manufacturing	Benson Place		FRANKFORT	NY	13340		USA		F. E. Hale Manuf Benson Place
2016		Manufacturing	Route 28		HERKIMER	NY	13350		USA		Cobblescoke LLC/Route 28
2021		501 c3. No PILOT. They are tax exempt	Reservoir Road		HERKIMER	NY	13350		USA		HCC Foundation/Reservoir Rd
2030		This is a 501C3 facility.	Reservoir Road		HERKIMER	NY	13350		USA		HCC Foundation/Reservoir Rd
2013		Distribution Center	25 Canal Street		MOHAWK	NY	13407		USA		Hummel's Office/25 Canal St
2018		utility project	State Route 28		RICHFIELD SPRING	NY	13439		USA		NYSEG - Utility Shared Services
2022		Property will remain in taxable rolls and billing will be directly from the taxing jurisdiction.	3347 State Route 28		OLD FORGE	NY	13420		USA		Katie E. Wojcylak/3347 State Route 28
2012		Refinancing Project, expansion	3183 State Route 28		OLD FORGE	NY	13420		USA		Timothy Noonan/3183 State Route 28
2017		manufacturing	144 Adam Street		FRANKFORT	NY	13340		USA		Precision Polish/144 Adam St.
2023		This is a lease project between the lessor and lessee. Taxes will be paid through the lessor.	555 East Main Street	Shopper's Square	LITTLE FALLS	NY	13365		USA		Christine C. Dani/461 Nott Street
2017		This project consists of an assignment and modification of the PILOT agreement.	111 Remington Avenue		ILION	NY	13357		USA		Remington Steel/870 Remington Dr
2016		Company is receiving Empire Zone benefits. They pay full taxes as a result.	172 Diamond Drive		FRANKFORT	NY	13340		USA		Schuyler Wood/172 Diamond Dr.

2017	services	45 Central Plaza	ILION	NY	13357	USA	Burrstone Road 1729 Burrstone Rd
2023		3036 State Route 28	HERKIMER	NY	13350	USA	Steven Ponte 3036 State Route 28
2014	SOL C3	Bassett Health Care	COOPERSTOWN	NY	13326	USA	Templeton Foun, One Atwell Road
2023	Billing at 100 this company receives Empire Zone benefits	108 Business Park Dr	FRANKFORT	NY	13340	USA	Titanium Procees PO Box 88
2022	Property remains in taxable rolls and billed directly from the taxing jurisdictions	700 Mohawk Street	HERKIMER	NY	13350	USA	Kurt Wendler 2836 Route 20 East
2024	PILOT will not begin until the school 2013 taxes	555 East Main Street	LITTLE FALLS	NY	13365	USA	Jules Burke, Maj, 388 East Main Street
2017	Manufacturing there is 2 Turbo projects Reporting employment numbers on this	102 Industrial Drive	FRANKFORT	NY	13340	USA	Turbo Machined 102 Industrial Dr
2017	FTE are reported on the original Turbo project FTE reported as 0 on this project	102 Industrial Drive	FRANKFORT	NY	13340	USA	Turbo Machined 102 Industrial Drive
2017	Financial Institution	399 E Albany Street	HERKIMER	NY	13340	USA	Ventura Develop, 52 South Broad St
2017	Tourism destination Business sold at the end of the 2012 For that reason I am o	Route 28	OLD FORGE	NY	13420	USA	Water's Edge Inc, Route 28
2022	Property will remain in taxable rolls and billing will come directly from the taxing	3188 State Route 28	OLD FORGE	NY	13420	USA	Kelly M Greene, 3188 State Route 28
2014	Retail	105 N Caroline Street	HERKIMER	NY	13350	USA	Widewaters - Ap, 5786 Widewaters Pkwy
2017	manufacturing/distribution center	161 Drive In Road	FRANKFORT	NY	13340	USA	Wilson Internatrc 161 Drive In Road

Applicant Information

Address Line 2	City	State	Postal Code	Province/Region	Country Name if "Other"	Local Sales Tax Exemption (Sum of City/Town/Village)	State Sales Tax Exemption	County Real Property Tax Exemption	Local Property Tax Exemption	School Property Tax Exemption
	ILION	NY	13357		USA	0	0	1315.96	4819.7	4103.54
Suite 700	PORTLAND	OR	97209		USA	0	0	0	0	0
	LITTLE FALLS	NY	13365		USA	0	0	0	0	0
	UTICA	NY	13503		USA	107440	0	0	0	0
	LITTLE FALLS	NY	13365		USA	0	0	3390.28	11860.45	17079.98
	HERKIMER	NY	13350		USA	0	0	0	0	0
	OLD FORGE	NY	13420		USA	0	0	380.75	1112.2	493.29
	FRANKFORT	NY	13340		USA	0	0	18745.44	44909.49	70164.07
	HERKIMER	NY	13350		USA	0	0	394.58	234.37	1495.52
	HERKIMER	NY	13350		USA	0	0	0	0	0
	HERKIMER	NY	13350		USA	0	0	0	0	0
	MOHAWK	NY	13407		USA	0	0	6807.03	18907.02	25734.5
70 Farm View Drive	NEW GLOUCESTER	ME	04260		USA	0	0	3221.66	3420.21	6668.38
	OLD FORGE	NY	13420		USA	0	0	0	0	0
	OLD FORGE	NY	13420		USA	5022.41	5336.31	0	0	0
	FRANKFORT	NY	13340		USA	0	0	4863.59	11651.98	18204.39
	SCHENECTADY	NY	12308		USA	0	0	0	0	0
	MADISON	NC	27025		USA	0	0	0	0	0
	FRANKFORT	NY	13340		USA	0	0	19657.56	12223.77	76930.57

NEW HARTFORD NY	13413	USA	0	0	18423.43	67475.56	57449.46
HERKIMER NY	13350	USA	11520.53	12240.56	0	0	0
COOPERSTOWN NY	13126	USA	0	0	0	0	0
UTICA NY	13503	USA	0	0	5126.51	12281.85	19188.48
CAZENOVIA NY	13035	USA	25097.52	25666.11	0	0	0
BRANFORD CT	06405	USA	0	0	0	0	0
FRANKFORT NY	13140	USA	0	0	2908.2	6967.33	10885.36
FRANKFORT NY	13140	USA	0	0	2873.05	6883.12	10753.78
NORWICH NY	13815	USA	0	0	2515.56	10498.89	9534.49
OLD FORGE NY	13420	USA	2400	2550	24700.98	8456.16	8935
OLD FORGE NY	13420	USA	0	0	0	0	0
SYRACUSE NY	13214	USA	0	0	3729.72	15566.3	14136.43
FRANKFORT NY	13340	USA	0	0	21500.46	13369.75	81311.04

PO Box 3

Mortgage Recording Tax Exemption	Total Exemptions Net of RPTL Section 48-b Exemptions	Actual Payment Made				Payment Due Per Agreement				# of FTEs before IDA status	# of FTEs during construction the fiscal year	Current year is the last year that project information needs to be reported	There is no debt outstanding for this project	IDA does not hold title to the property	The project receives no tax exemptions		
		County PILOT	Local PILOT	School District PILOT	Local PILOT	County PILOT	Local PILOT	School District PILOT	Local PILOT								
0	3,378.57	855.37	3,132.79	2,872.47	855.37	3,132.79	2,872.47	3	6	12.4	0	3	12.4	10	N	N	N
0	0	1,226,112	2,496,794	2,566,704	1,226,112	2,496,794	2,566,704	43	6	93,500	63,000	123,000	0	6	N	N	N
0	0	0	0	0	0	0	0	66	0	0	379,400	379,400	66	76	N	N	Y
0	0	0	0	0	0	0	0	0	0	0	45,000	45,000	0	53	N	N	Y
0	251,020.03	2,542.71	8,895.34	13,663.98	2,542.71	8,895.34	13,663.98	38	10	0	19,188	19,188	38	26	N	N	N
0	0	0	0	0	0	0	0	29	0	0	178,500	178,500	29	29	N	N	Y
0	891.27	228.45	667.32	199.2	228.45	667.32	199.2	0	25	0	0	0	0	0	Y	Y	Y
0	1,338.19	9,372.72	22,454.74	42,098.44	9,372.72	22,454.74	42,098.44	65	7	0	28,142.4	28,142.4	65	40	N	N	N
0	2,045.55	3,156.66	18,749	12,711.19	3,156.66	18,749	12,711.19	27	4	0	0	0	27	39.5	N	N	N
0	0	0	0	0	0	0	0	0	0	0	30,000	30,000	0	20	N	N	Y
0	0	0	0	0	0	0	0	14	17	0	30,000	30,000	14	0	Y	Y	Y
0	657.28	6,680.68	18,556.09	25,734.5	6,680.68	18,556.09	25,734.5	50	12	0	27,924	27,924	50	55	Y	Y	Y
0	1,331,025	2,416.24	2,565.16	5,001.28	2,416.24	2,565.16	5,001.28	0	0	0	0	0	0	1	N	N	N
59,000	0	0	0	0	0	0	0	14	3.5	25,000	18,000	32,000	14	2	N	N	Y
70,000	0	0	0	0	0	0	0	35.5	2	32,000	30,000	40,000	35.5	3	Y	Y	Y
0	97,860.02	1,631.45	8,738.98	14,563.51	1,631.45	8,738.98	14,563.51	0	20	0	30,000	30,000	0	32.5	N	N	N
0	0	0	0	0	0	0	0	0	65	14,120	8,320	65,000	0	0	N	N	N
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N	N	N
0	28,797.03	1,965.56	12,223.77	76,930.57	1,965.56	12,223.77	76,930.57	0	16	0	38,000	38,000	0	18	N	N	Y

0	28964.66	13817.57	50606.66	49959.56	13817.57	50606.66	49959.56	0	98	0	49746	49746	0	0	11	0	N	N	N
0	0	0	0	0	0	0	0	43.5	5	37000	35000	40000	43.5	37500	41.5	25	N	Y	N
0	0	0	0	0	0	0	0	0	0	0	35272	35272	0	0	74	0	N	N	Y
0	10019.66	5126.51	12281.85	19188.48	5126.51	12281.85	19188.48	0	7	0	28000	28000	0	0	23	0	N	N	Y
24500	0	0	0	0	0	0	0	0	7	30000	15000	60000	0	0	7	60	N	Y	N
0	0	0	0	0	0	0	0	24.5	75	14320	8320	65000	7.5	14320	7.5	0	N	N	N
0	4645.97	2181.15	5225.49	8708.28	2181.15	5225.49	8708.28	17	15	0	31200	31200	17	0	44.5	0	N	N	N
0	7666.32	1723.82	4129.86	6989.95	1723.82	4129.86	6989.95	29	15	31200	31200	31200	29	31200	0	0	N	N	N
0	5160.52	1886.67	7874.16	7627.59	1886.67	7874.16	7627.59	0	8	0	0	0	0	0	5.5	0	N	N	N
0	0	24700.98	8456.16	8935	24700.98	8456.16	8935	14	6	0	23000	23000	14	0	0	0	Y	Y	Y
50000	0	0	0	0	0	0	0	15	0	22000	22000	34000	15	28000	15	0	N	N	Y
0	33060.38	3356.75	14009.66	13429.6	3356.75	14009.66	13429.6	0	0	0	0	0	0	0	27	0	N	N	N
0	19170.69	13975.3	8690.34	60983.27	13975.3	8690.34	60983.27	38	12	0	0	0	0	0	46.5	0	N	N	N