

**MADISON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

MADISON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 6
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Statement of Cash Flows	9
Notes to Financial Statements	10 – 11
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	12 – 13
Supplemental Information:	
Schedule of Indebtedness	14
Bond and Lease Schedules	15 – 35



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Madison County Industrial Development Agency
Seneca Turnpike
Canastota, New York

Report on the Financial Statements

We have audited the accompanying statement of net assets of Madison County Industrial Development Agency (MCIDA) as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the MCIDA's basic financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 financial position of Madison County Industrial Development Agency as of December 31, 2012 and 2011, and the changes in net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MCIDA's basic financial statements. The supplemental information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



March 13, 2013

Madison County Industrial Development Agency
Management's Discussion and Analysis (MD&A)
For the Years Ended December 31, 2012 and 2011

As management of the Madison County Industrial Development Agency (the "Agency") we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended December, 31, 2012 and 2011. This narrative should be read in conjunction with the Agency's financial statements which follow this section.

Financial Highlights

- The assets of the Agency exceed its liabilities (net assets) at December 31, 2012 and 2011 by \$735,084 and \$657,746 respectively. Of these amounts, \$335,926 and \$258,588 were unrestricted net assets, meaning that these amounts were available for use in furthering the Agency's mission. As of December 31, 2012 and 2011, the Agency's Board of Directors designated \$26,556 of unrestricted net assets for use in the continuing maintenance and upkeep of its building.
- The agency's total net assets increased by \$77,338 for the fiscal year ended December 31, 2012 and decreased by \$74,434 the fiscal year ended December 31, 2011.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. This report includes the independent auditors' report, management's discussion and analysis, financial statements, notes to financial statements, and other supplemental information.

Required Financial Statements- The financial statements are prepared using the accrual basis of accounting. The financial statements include:

- *Statements of Net Assets-* Presents all assets, liabilities and net assets of the Agency at December 31, 2012 and 2011.
- *Statements of Activities-* Presents the financial activity for the years ended December 31, 2012 and 2011 and displays how this financial activity changed the Agency's net assets.
- *Statements of Cash Flows-* Presents the cash provided and used during the 2012 and 2011 fiscal years and how it affects the cash balances at December 31, 2012 and 2011.
- *Notes to the Financial Statements-* Provide information regarding the Agency and explain in more detail information included in the financial statements.

Financial Analysis

The Agency provides administrative assistance and has limited operations. The Agency's net assets may serve over time as a useful indicator of financial position. In the case of the Agency, assets exceeded liabilities by \$735,084 and \$657,746 at December 31, 2012 and 2011 respectively.

By far the Agency's largest types of assets are its capital assets, which are composed primarily of buildings and improvements and land.

A condensed version of the Agency's statement of net assets follows:

December 31,		
Assets	2012	2011
Current Assets	\$371,729	\$282,553
Capital Assets, Net	372,602	384,016
Total Assets	744,331	666,569
Liabilities		
Current Liabilities	9,247	8,823
Total Liabilities	9,247	8,823
Net Assets		
Invested in capital assets, net of related debt	372,602	384,016
Unrestricted	335,926	258,588
Board Designated	26,556	15,142
Total net assets	\$735,084	\$657,746

As mentioned in the prior year's MD&A the building purchase is the largest of this type of investment that the Agency has taken on in its history. It continues to help the county with showing a more unified face for economic development and to have a centralized location that is once removed from the county government, and is approachable by private businesses. By paying off the mortgage the Agency has directed its resources at promoting economic development in the county.

A useful indicator of the financial status and ability to meet the Agency's current obligations is the current ratio, which is computed as follows:

December 31,		
	2012	2011
Current Assets	\$371,729	\$282,553
Current Liabilities	9,247	8,823
Ratio of current assets to current liabilities	40.2	32.0

The Agency had current ratios of 40.2 and 32.0 at December 31, 2012 and 2011 respectively. Such ratios indicate that the Agency has sufficient assets on hand to cover its liabilities that will come due in the coming year.

The Agency's revenue and expense activity produced the change in net assets of \$77,338 and \$(74,434) for the fiscal years ended December 31, 2012 and 2011, respectively.

A condensed statement of revenues, expense and changes in net assets follows:

Year Ended December 31,		
	2012	2011
Operating revenues	\$537,763	\$201,471
Operating expenses	461,218	276,903
Net operating income (loss)	76,545	(75,432)
Non operating revenues (expenses)	793	998
Change in net assets	77,338	(74,434)

Significant changes in revenues and expenses from 2012 to 2011 include:

- Operating Revenues increased by \$336,292 due to the closing of the Colgate University project in 2012 and revenue attributable to the MCCRC contract.
- Expenses increased by \$184,315 due to the MCCRC contract fee paid to MCIDA

Another important factor in the consideration of the fiscal condition is the Agency's cash position and annual cash flows. A condensed version of the Agency's statement of cash flows follows:

Year ended December 31,		
	2012	2011
Cash flows from:		
Operating activities	\$89,176	\$(61,681)
Investing activities	-	-
Net change in cash and cash equivalents	89,176	(61,681)

Capital Assets and Debt Administration

Capital Assets- the Agency's investment in capital (net of accumulated depreciation) as of December 31, 2012 and 2011, amounted to \$372,602 and \$384,016, respectively.

December 31,		
	2012	2011
Land	\$ 69,290	\$ 69,290
Buildings and improvements	298,513	307,598
Furniture and Fixtures	4,799	7,076
Machinery and equipment	-	52
Total	372,602	384,016

Debt- The Agency had no debt outstanding as of December 31, 2012 and 2011

Economic Factors

The Agency's basic purpose is to assist business growth and expansion in Madison County. The business and economic climate in the county has been relatively steady over the past two years and the world wide economic down turn has had a negative effect.

Contacting the Agency

The financial report is designed to provide a general overview of the agency's finances for interested individuals. Questions regarding this report or requests for additional information should be directed to the Madison County Industrial Development Agency, 3215 Seneca Turnpike, Canastota, NY 13032.

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
December 31, 2012 and 2011

	2012			2011
	MCIDA	MCCRC	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 126,264	\$ 245,465	\$ 371,729	\$ 282,553
Noncurrent assets:				
Capital assets:				
Land	69,290	-	69,290	69,290
Buildings and improvements	361,303	-	361,303	361,303
Furniture and fixtures	46,268	-	46,268	46,268
Machinery and equipment	13,242	-	13,242	13,242
Less accumulated depreciation	(117,501)	-	(117,501)	(106,087)
Total capital assets, net of depreciation	<u>372,602</u>	<u>-</u>	<u>372,602</u>	<u>384,016</u>
Total assets	<u><u>498,866</u></u>	<u><u>245,465</u></u>	<u><u>744,331</u></u>	<u><u>666,569</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable - trade	8,449	-	8,449	8,823
Accrued liabilities	798	-	798	-
Total current liabilities	<u>9,247</u>	<u>-</u>	<u>9,247</u>	<u>8,823</u>
Net assets:				
Invested in capital assets	372,602	-	372,602	384,016
Board designated building reserve	26,556	-	26,556	15,142
Unrestricted	90,461	245,465	335,926	258,588
Total net assets	<u>489,619</u>	<u>245,465</u>	<u>735,084</u>	<u>657,746</u>
Total liabilities and net assets	<u><u>\$ 498,866</u></u>	<u><u>\$ 245,465</u></u>	<u><u>\$ 744,331</u></u>	<u><u>\$ 666,569</u></u>

The accompanying notes are an integral part of these financial statements.

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
Years ended December 31, 2012 and 2011

	2012			2011
	MCIDA	MCCRC	Total	
Operating revenues:				
Charges for services	\$ 21,125	\$ 198,875	\$ 220,000	\$ 22,075
Rental and financing income	15,211	-	15,211	14,780
Grant revenue	164,616	-	164,616	164,616
MCCRC Contract	137,936	-	137,936	-
Total operating income	338,888	198,875	537,763	201,471
Operating expenses:				
Salaries and benefits	128,848	-	128,848	116,252
Other employee benefits	61,100	-	61,100	58,903
MCCRC Contract	-	137,936	137,936	-
Occupancy	12,907	-	12,907	17,087
Insurance	2,544	-	2,544	2,458
Professional fees	53,192	-	53,192	52,664
Dues and subscriptions	2,866	-	2,866	2,076
Promotion and development	6,755	35,000	41,755	5,464
Telephone and internet	3,593	-	3,593	4,765
Depreciation	11,414	-	11,414	11,853
Office supplies	766	-	766	977
Postage	394	-	394	316
Travel and conferences	3,903	-	3,903	4,088
Total operating expenses	288,282	172,936	461,218	276,903
Operating income (loss)	50,606	25,939	76,545	(75,432)
Nonoperating revenues:				
Interest income	317	476	793	998
Increase (decrease) in net assets	50,923	26,415	77,338	(74,434)
Total net assets - beginning	438,696	219,050	657,746	732,180
Total net assets - ending	\$ 489,619	\$ 245,465	\$ 735,084	\$ 657,746

The accompanying notes are an integral part of these financial statements.

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
Years ended December 31, 2012 and 2011

Increase (Decrease) in Cash

	2012			2011
	MCIDA	MCCRC	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from providing services	\$ 21,125	\$ 198,875	\$ 220,000	\$ 22,075
Grants received	164,616	-	164,616	164,616
Interest received	317	476	793	998
Rent received	15,211	-	15,211	14,780
MCCRC Contract payment received (paid)	137,936	(137,936)	-	-
Cash paid to employees and suppliers	(276,444)	(35,000)	(311,444)	(264,150)
Net cash provided by (used in) operating activities	<u>62,761</u>	<u>26,415</u>	<u>89,176</u>	<u>(61,681)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
Net increase (decrease) in cash and cash equivalents	62,761	26,415	89,176	(61,681)
Cash and cash equivalents - beginning	63,503	219,050	282,553	344,234
Cash and cash equivalents - ending	<u>126,264</u>	<u>245,465</u>	<u>371,729</u>	<u>282,553</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Increase (decrease) in net assets	50,923	26,415	77,338	(74,434)
Adjustments for items not affecting cash flows:				
Depreciation	11,414	-	11,414	11,853
Changes in operating assets and liabilities:				
Change in accounts payable and accrued expenses	424	-	424	900
Net cash provided by (used in) operating activities	<u>\$ 62,761</u>	<u>\$ 26,415</u>	<u>\$ 89,176</u>	<u>\$ (61,681)</u>

The accompanying notes are an integral part of these financial statements.

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Background and Accounting Policies

Madison County Industrial Development Agency is a public benefit agency created in 1970 under the laws of the State of New York to advance economic growth in Madison County. Funding for the Agency is provided by Madison County and by fees collected upon issuance of Industrial Development Bonds for local businesses.

The Agency promotes economic growth in the County by providing new or existing businesses with low cost financing, through the issuance of tax exempt or taxable obligations. Technically, the Agency retains title to the property, equipment or improvement financed and enters into a lease or mortgage agreement with the benefited enterprise with payments structured to coincide with debt service payments of the issued obligations. A trustee bank administers the issuance of the initial obligations and the repayments. In accordance with New York State policy, the Agency does not report the assets or obligations resulting from its economic development activities in its financial statements. The obligations are not obligations of the Agency; the primary function of the Agency is to arrange financing between borrowing companies and bond or note holders.

In order to retain MCIDA's ability to issue tax exempt revenue bonds to fund projects for nonprofit organizations, Madison County formed the Madison County Capital Resource Corporation (MCCRC) in November 2009. While MCCRC is a separate legal entity, its governing board is made up of the MCIDA's officers and directors and the two entities share common management and staff. As such, the MCCRC is presented as a component unit of the MCIDA in the accompanying financial statements. MCCRC paid MCIDA \$137,936 in 2012 under a contract to provide administrative services.

The Agency uses the calendar year and records revenue and expenditures on the accrual method for financial reporting purposes. The Agency's accounting and reporting is done in accordance with generally accepted accounting principles. Capital assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Routine maintenance and repairs are expensed as incurred. Land is not depreciated. As a public benefit agency, the Agency is not required to pay income taxes.

The Agency receives a substantial portion of its revenue pursuant to a grant contract with Madison County. This contract is renewed every year at the option of both parties. Should Madison County discontinue the arrangement, the Agency would lose a substantial portion of its revenue.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

2. Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Collateral is required for all deposits not covered by federal deposit insurance. All deposits were adequately collateralized as of December 31, 2012 and 2011.

3. Pension Plan

The Agency's Employees participate in the New York State and Local Employees Retirement System. Contributions to the Plan are based on a percentage of wages for the Plan's year ended March 31. Plan contributions have been calculated and recorded to reflect wages paid through December 31, 2012.

The Agency's resolution to participate in the New York State pension plan was approved by the New York State and Local Employees Retirement System in July 1986 and reaffirmed in 2012.

The total pension expense for the years ended December 31, 2012 and 2011 was \$22,573 and \$19,189 respectively.

4. Board Designated Net Assets

The Agency's Board of Directors has designated net assets of \$26,556 to be used for the ongoing maintenance and upkeep of the building.

5. Subsequent Events

Management has reviewed subsequent events through March 13, 2013, the date which the financial statements were available to be issued, and no subsequent events occurred requiring accrual or disclosure.