MONTGOMERY COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Chairperson and Board of the
Montgomery County Industrial Development Agency
Fonda, New York

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Montgomery County Industrial Development Agency, a public benefit corporation, a component unit of the County of Montgomery, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's 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 an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic 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 Agency'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 Montgomery County Industrial Development Agency as of December 31, 2012, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery County Industrial Development Agency's basic financial statements. The supplemental information on pages 22 through 25 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information on pages 22 through 25 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 subjected 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the Montgomery County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County Industrial Development Agency's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
February 28, 2013

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2012

The following is a narrative overview and analysis of the financial activities of Montgomery County Industrial Development Agency (IDA or Agency) for the fiscal year ended December 31, 2012. This discussion is intended to serve as an introduction to the Agency's basic financial statements, which immediately follow this section. The basic financial statements have the following components: (1) management's discussion and analysis (MD&A), (2) Agency-wide financial statements, (3) notes to the financial statements and (4) supplemental schedules.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and required supplementary information. The basic financial statements include two statements that are Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status.

Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's net assets and how they have changed. Net assets – the difference between the Agency's assets and liabilities – is one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional nonfictional factors such as changes in the New York State government, labor forces and land availability.

I. BACKGROUND

A. General

The Montgomery County Industrial Development Agency (IDA or Agency) was created in 1970 by an act of the New York State Legislature. The IDA is a corporate governmental agency constituting a public benefit corporation. The law that authorized the creation of Industrial Development Agencies in New York State states that the purpose of an Industrial Development Agency (IDA) shall be:

> "to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their standard of living."

To accomplish this purpose, the New York State Legislature authorized IDAs to offer incentives in the form of tax exemptions to stimulate certain private sector investment.

B. Tax Exemptions

IDAs are authorized by the New York State Legislature to provide three forms of tax exemptions affecting personal and real property:

1. Property Tax

New York State Law designates IDAs as tax-exempt entities. When an IDA holds title to the real property of a project, New York State Law says all improvements on the property are exempt from all general real property taxes. However, the land that the improvements are located on remains taxable. These exemptions apply as long as the IDA holds title to the property.

The Montgomery County IDA, however, requires companies to make Payments In Lieu Of Taxes (PILOT). A PILOT is a written Agreement between the IDA and a company. The Agreement states that even though the project is tax exempt due to IDA ownership, the IDA wants the company to make certain payments to local taxing jurisdictions. PILOTs consist of an agreed upon percentage of the property tax that would otherwise be due on the property if the project had been completed without IDA involvement. PILOTs are developed in accordance with the Montgomery County IDA's Uniform Tax Exemption Policy. Once a PILOT is executed, the company makes the required annual payments to the IDA in accordance with the PILOT.

2. Sales Tax

IDAs can offer exemptions from sales taxes but only on eligible materials purchased during construction and for eligible equipment for the project.

3. Mortgage Recording Tax

If a project involves a mortgage, companies that receive IDA assistance are exempt from New York State's mortgage recording tax. In Montgomery County, this tax equals 0.75 percent of the total mortgage.

C. Industrial Revenue Bonds

IDAs can also provide important financing for a project through the issuance of Industrial Revenue Bonds (IRBs). IRBs are used to finance new or expansion projects. Financial institutions, such as banks, insurance companies or private individuals, purchase these bonds as an investment similar to an individual purchasing a U.S. Government Savings Bond. By purchasing a bond, a private investor lends their funds to a business. The business commits to repay the principal and interest to the lender. The IDA acts as an intermediary for this private transaction. There are no IDA or public funds involved in an IDA bond transaction.

The business and the financial institution themselves negotiate the terms and conditions of the transaction (its length, the interest rate), independent of the IDA.

The Montgomery County IDA, Montgomery County Government or local taxpayers do not lend any public money nor do they assume any responsibility for repaying bonds if the business defaults on any payment. There is also no financial liability on New York State, the County of Montgomery or any political subdivision. IRB payments are solely the responsibility of the company borrowing the money.

D. NYS Public Authorities Accountability Act of 2005 (the Act)

In 2005, the NYS Legislature adopted and Governor Pataki signed in early 2006 the NYS Public Authorities Accountability Act of 2005. This key piece of legislation imposed fundamental changes to the way Industrial Development Agencies in New York State are to be administered and managed. The Act obligated IDAs to take certain affirmative actions to comply with this new law, including:

1. Prepare and file annual reports, budget reports and property reports in accordance with the requirements of the Act.

2. Prepare and adopt property and investment guidelines, personnel and compensation policies, defense and indemnification policies and a Code of Ethics.

3. Create and appoint Audit and Governance Committees.

4. Comply with numerous new operational requirements dealing with matters such as:

   a. Preparing and filing independent financial audits.

   b. Obtaining training for Board members.

   c. Ensuring the separation of oversight and operational duties and responsibilities of the Agency.

   d. Ensuring that Board members are independent.

   e. Providing for financial disclosure of Board members.

   f. Sale of real property.

II. SUMMARY OF 2012 ACTIVITIES

The Montgomery County Industrial Development Agency is comprised of a seven member Board of Directors. The Board of Supervisors appoints all members to the IDA and said members serve at the pleasure of the Supervisors.

The IDA met a total of ten times in 2012. The following is a summary of the primary activities the IDA was involved with in 2012:

A. EXPANSIONS AND NEW PROJECTS

1. Footehills Farm

In January, 2012, a $57,500 loan was issued to Footehills Farm through the USDA loan fund. The loan proceeds were utilized to assist the startup of a high quality cheese making facility and to purchase machinery and equipment. This project will result in the creation of three new positions over the next three years.

2. M.H. Stallman Company

Throughout 2012, the Agency has been working with M.H. Stallman Company, a plastic manufacture and foam fabrication facility, which expanded their operations to the former Hill and Markes Distribution Center in the Town of Amsterdam. To help facilitate this project, the Agency will provide direct technical assistance in grant writing for programs that are available to them through State, federal and local agencies. In addition, the Company is looking for the Agency to issue an Industrial Revenue bond. This project lead to the retention of 11 employees and will lead to the creation of 40 more positions over the next four years.

3. Cushing Stone

In June of 2012, the Agency applied to National Grid for a National Grid Emergency Main Street Revitalization Grant and was awarded $25,000, on behalf of Cushing Stone to aid the Company in funding repairs caused by Hurricane Irene and Tropical Storm Lee.

4. **Public Benefit**

In 2012, the Agency worked with three Companies that received direct project funding through New York State's Regional Economic Development councils for new projects in the County.

a. **Helmont Mills/Gehring Tricot** of St. Johnsville and Dolgeville, received money for an expansion and rehabilitation project at both sites. At the St. Johnsville site, this means the creation of an additional 20 jobs.

b. **St. Mary's Healthcare** received funds to build a new 34,000 sq. ft. Outpatient Pavilion at its Memorial Campus which will result in the creation of eight new positions.

c. **TecMar LLC** also received funding to construct an aquaculture facility in the Glen Canal View Business Park that will result in the creation of 175 jobs.

5. **Regional Business Plan for Fulton and Montgomery Counties**

The Agency continues to work with Fulton County Economic Development officials, educational and political leaders and area Business Leaders in implementing the Fulton and Montgomery Counties Regional Business Plan. As part of this plan, the Agency collaborated on developing the City Revitalization Symposium that was held at HFM BOCES. This symposium featured the Mayor from the City of Auburn as well as a developer panel and a panel of state representatives discussing various funding opportunities.

6. **Park Development**

In 2012, the Agency sold a 6.83 acre parcel of land in the Glen Canal View Business Park to L & S Veener, a logging company which began operations immediately.

B. SUMMARY OF FINANCIAL RESULTS

See Table A-1 below for Condensed Statement of Net Position:

Table A-1

	2012	2011	Percentage Change Increase/-Decrease
Assets			
Current assets	$ 4,543,219	$ 2,134,007	113%
Capital assets	2,046,586	1,994,231	3%
Total Assets	6,589,805	4,128,238	60%
Liabilities			
Current liabilities	3,453,900	1,016,165	240%
Long-term liabilities	1,195,000	1,195,000	0%
Total Liabilities	4,648,900	2,211,165	110%
Deferred inflows			
Unearned interest income	149,856	171,115	-12%
Net Assets			
Net investment in capital assets	849,558	734,953	16%
Restricted	84,263	0	100%
Unrestricted	857,228	1,011,005	-15%
Total Net Assets	$ 1,791,049	$ 1,745,958	3%

Changes in Net Assets

The IDA's revenue was $70,875 (see Table A-2). Charges for services accounted for 55 %.

The total cost of all programs and services amounted to $109,953 for 2012. Grant expenses and salaries accounted for 23% and 42.3%, respectively.

Net position for the year increased by $45,091 after an $84,169 other change in net position.

Table A-2

	2012	2011	Percentage Change Increase/-Decrease
Revenues			
Program Revenues			
Charges for services	$ 39,257	$ 46,129	-15%
USDA revolving loan fund	844	0	100%
Grants	25,000	0	100%
Gain (loss) on sale of land	4,233	0	100%
Use of money and property	1,541	1,006	53%
Total Revenues	70,875	47,135	50%
Expenses			
Real property taxes	383	383	0%
Professional fees	13,200	13,350	-1%
Salaries	46,486	49,567	-6%
Marketing	6,440	775	731%
Grant expenses	25,000	0	100%
Insurance expense	8,260	8,772	-6%
Depreciation	3,251	3,251	0%
Repairs and maintenance	4,146	1,554	167%
Office expense	2,422	11,503	-79%
NYS assessment	0	0	100%
All other expenses	365	3,099	-88%
Total Expenses	109,953	92,254	19%
Increase (Decrease) in Net Position	$ (39,078)	$ (45,119)	-13%

C. LONG-TERM DEBT

The Agency did not have any long-term debt this year.

III. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)

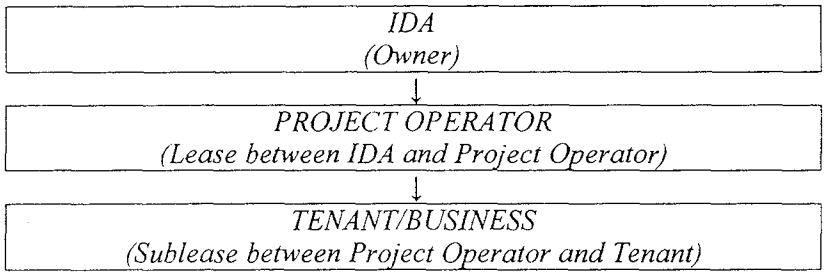
A. Background

The IDA currently has nine active PILOT Agreements. The responsibility for administering and enforcing a PILOT rests with local taxing jurisdictions. Yet, given the complexities with understanding how PILOTs work and changeover in personnel with local taxing jurisdictions, the IDA, in 2012, continued its annual monitoring project to assist local taxing jurisdictions in ensuring that PILOT Agreements are being properly administered.

B. Project Structure

Most projects IDAs are involved with use a typical format or structure. The IDA "owns" the real property, machinery and equipment and leases them to a "Project Operator." The Project Operator, in turn, subleases the real property and machinery and equipment to a business.

While the IDA is the "owner" for purposes of the New York real property law, the Project Operator is the true owner of the property for federal tax purposes. Further, the IDA typically attempts to minimize its interest in the property for liability reasons by taking a leasehold interest in the property pursuant to a lease from the Project Operator. Accordingly, in most IDA projects, the IDA "owns" only a leasehold interest in the property.



At the end of the lease term, ownership of the real property, machinery and equipment is transferred from the IDA to either the Project Operator or Tenant. Once title is transferred to the Project Operator or Tenant, the real property becomes fully taxable.

C. PILOTs

Given that IDAs are tax exempt, any property the IDA owns is exempt from property taxes for the entire length of the Lease Agreement. This is where a Payment in Lieu of Tax Agreement (PILOT) comes into play.

IDAs typically require Project Operators/Tenants to execute a PILOT as part of a project. The intent of a PILOT is to avoid allowing a Project Operator/Tenant to be exempt from paying property taxes during the entire time an IDA "owns" the property. A PILOT obligates the Project Operator/Tenant to make payments to local taxing jurisdictions as if the property owned by the tax-exempt IDA was privately owned and taxable. The PILOT allows local taxing jurisdictions to still receive revenues from IDA projects even though the property is tax exempt.

D. Key Provisions with a PILOT

There are two keys to understanding how a PILOT is administered:

1. The "Effective" date of the PILOT.

2. Tax Assessment Calendar.

   a. Effective Date

      The effective date of a PILOT is the date a Certificate of Occupancy (CO) permit is issued by the local Code Enforcement Officer for the construction of the building.

b. Tax Assessment Calendar

Tax rolls for each municipality are completed on March 1st of each year. PILOTs typically are set up so that once a CO is issued, the building becomes assessed on the next tax roll. For example, the tax roll completed on March 1, 2012, was used for the 2012-13 school tax bills and the 2012 County and City/Town tax bills.

The first year of a PILOT is, therefore, the first tax year after the property goes into the tax assessment roll. For example:

> New Building Completed	:	July 2011
> CO Issued	:	August 2011
> Building Goes on Tax Roll	:	March 2012
> Year 1 of PILOT for:		
School Tax	:	2012-13 Tax Year (September – August)
County Tax	:	2013 Tax Year (January – December)
City/Town Tax	:	2013 Tax Year (January – December)

The implementation of this annual monitoring program has helped local taxing jurisdictions properly administer PILOTs and ensure that they receive, in a timely fashion, all payments due them.

IV. CONCLUSION

The Montgomery County IDA looks forward to 2013 with additional development in both the Florida and Glen Business Parks.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

DECEMBER 31, 2012

ASSETS	
Cash	
Unrestricted	$ 3,677,687
Restricted	427,336
Other receivables	380,015
USDA revolving loan fund receivable	52,405
Due from other governments	1,674
Prepaid expenses	4,102
Fixed assets (net)	2,046,586
TOTAL ASSETS	$ 6,589,805
LIABILITIES	
Accounts payable	$ 7,941
Due to other governments	4,640,959
TOTAL LIABILITIES	$ 4,648,900
DEFERRED INFLOWS	
Unearned interest income	$ 149,856
NET POSITION	
Net investment in capital assets	$ 849,558
Restricted	84,263
Unrestricted	857,228
TOTAL NET POSITION	$ 1,791,049

See notes to basic financial statements.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Other Program Revenues	Changes in Net Assets
FUNCTION/PROGRAMS				
Real property taxes	$ 383	$ 0	$ 0	$ (383)
Professional fees	13,200	1,500	0	(11,700)
Salaries	46,486	0	0	(46,486)
Marketing	6,440	0	0	(6,440)
Insurance expense	8,260	0	0	(8,260)
Depreciation	3,251	0	0	(3,251)
Repairs and maintenance	4,146	0	0	(4,146)
Office expense	2,422	0	0	(2,422)
USDA revolving loan fund	0	0	844	844
All other expenses	365	4,558	0	4,193
Grant expenses	25,000	0	25,000	0
Unallocated	0	33,199	0	33,199
Total function/programs	$ 109,953	$ 39,257	$ 25,844	(44,852)
GENERAL REVENUE				
Loss on sale of land				4,233
Use of money and property				1,541
Total general revenue				5,774
CHANGE IN NET POSITION				(39,078)
TOTAL NET POSITION - BEGINNING OF YEAR				1,745,958
OTHER CHANGES IN NET POSITION				84,169
TOTAL NET POSITION - END OF YEAR				$ 1,791,049

See notes to basic financial statements.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net position	$ 45,091
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	3,251
Loss on sale of land	4,233
Decrease in assets:	
Receivables	32,171
Due from other governments	1,538
Prepaid	2,613
Increase (Decrease) in liabilities and deferred inflows:	
Accounts payable and retainage payable	601
Due to other governments	2,437,134
Unearned interest income	(21,259)
Net cash provided by operating activities	2,505,373
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(59,839)
Payments on USDA Loan	5,095
Issuance of USDA Revolving Loan	(57,500)
Net cash (used) by investing activities	(112,244)
NET INCREASE IN CASH	2,393,129
CASH - BEGINNING OF YEAR	1,711,894
CASH - END OF YEAR	$ 4,105,023

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Montgomery County Industrial Development Agency (the Agency) have been prepared in conformity with U.S. generally accepting accounting principles (GAAP). A summary of the significant accounting principles applied in the preparation of the accompanying basic financial statements follows:

a. Organization and Purpose

The Montgomery County Industrial Development Agency is a public benefit corporation established under Title I of Article 18-A, Section 895-d, of the General Municipal Law of the State of New York and Chapter 666 of the Laws of 1970 of the State for the purpose of encouraging economic growth in Montgomery County. Members of the IDA are appointed by the County Board of Supervisors. The IDA is an independent agency.

b. Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting as specified in the Governmental Accounting Standards Board (GASB) codification of governmental accounting and financial reporting standards. The accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Agency has elected not to apply all Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

Operating revenues are those revenues that are generated from economic development operations of the Agency. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to economic development operations of the Agency. All other expenses are reported as nonoperating expenses.

c. Basis of Presentation

The Agency operations are accounted for in a manner similar to a private business enterprise. The measurement focus is upon determination of net income, financial position and changes in cash flows.

d. Fixed Assets

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation, if any, are eliminated from the accounts and the resulting gain or loss is included in revenue. The Agency pursues economic development, in part, by purchasing real property and preparing the property for sale or lease, with an option to buy, to local businesses or to those businesses which desire to relocate to Montgomery County. During the time the Agency holds the property, the Agency attempts to maintain the condition of the property by offering it to businesses under the terms of short-term operating leases. The operating leases are incidental to the objective of selling the property and thereby increasing the County's tax base. Depreciation is not recognized on those properties being temporarily utilized as described above. Depreciation during these lease periods would not be material in amount. Otherwise, depreciation is recognized when an asset is placed in service.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

d. Fixed Assets – (Continued)

As of December 31, 2012, the following asset is depreciated using the straight-line method:

Asset	Estimated Useful Life
Parking lot improvements	30 Years

e. Provisions for Uncollectible Accounts

The Agency uses the allowance method to account for uncollectible accounts based on an estimate of amounts deemed uncollectible. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

f. Income Taxes

The Agency is exempt from federal, State and local income taxes.

g. Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

h. Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2012, was $6,440.

NOTE 2 – INDUSTRIAL DEVELOPMENT REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased or sold to companies and the debt is retired by these payments or installment sale payments. The bonds and notes are not obligations of the County or New York State. The bonds and notes are not general obligations of the Agency, but rather are special obligations of the Agency, payable solely from the Agency's interest in the assets (real property and equipment) being financed. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts, since its primary function is to act as a financing conduit between the borrowing companies and the bond and note holders, and the funds arising there from 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 when received. At December 31, 2012, the original issue value of bonds was $44,417,808 and the outstanding balance was $31,332,177.

NOTE 3 – CASH

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

NOTE 3 – CASH – (CONTINUED)`

Collateral is required for demand deposits and certificates of deposit at 100% of all deposits 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.

NOTE 4 – OTHER RECEIVABLES

As of December 31, 2012, other receivables consist of:

Description	
Sales-type lease, Note 9	$ 7,515
Sales-type lease, Note 9	372,500
Total Other Receivables	$ 380,015

NOTE 5 – DUE FROM OTHER GOVERNMENTS

Due From	
Montgomery County	$ 1,674

NOTE 6 – FIXED ASSETS (NET)

As of December 31, 2012, fixed assets (net) consist of:

Florida Park:	
Land and development costs	$ 1,065,785
Land - conservation and utility easements	13,763
Total	1,079,548
Glen Park:	
Land	917,656
Total	917,656
Land - to be transferred to other governments	9,283
Land - parking lot	10
Parking lot improvements	97,530
Total	2,104,027
Less accumulated depreciation	57,441
Total Fixed Assets (Net)	$ 2,046,586

NOTE 7 – RESTRICTED CASH

Restricted assets consist of cash in the amount of $427,336 as of December 31, 2012, that is held in escrow for NBT Bank property transactions, Beech-Nut property transactions and USDA accounts.

NOTE 8 – USDA REVOLVING LOAN FUND RECEIVABLE

During 2012, the Agency loaned Footehills Farm $57,500 from the USDA revolving loan fund. The company is making monthly payments of $741 which includes interest at 2.250% per annum. The loan is secured with equipment and is payable through April 30, 2019. The December 31, 2012 loan balance was $52,405.

Future loan principal payments due to the Agency for the next five years are:

2013	$7,787
2014	7,964
2015	8,145
2016	8,330
2017	8,519
Thereafter	11,660

NOTE 9 – SALES-TYPE LEASE – INCLUDED IN OTHER RECEIVABLES AND DEFERRED REVENUES

Alpin Haus

In October, 1986, the Agency leased 12.4 acres of land and a 93,000 square foot building to Alpin Haus Ski Shop, Inc. (Alpin Haus), for a 30-year term. The lease includes an option to buy during the term of the lease at a nominal value.

In November, 1997, Alpin Haus obtained a conventional loan from NBT Bank and paid off the industrial revenue bonds. Title to the land and building has been assigned to NBT Bank as collateral for the conventional loan.

In November, 2000, Alpin Haus began paying $167 per month and will continue to pay the monthly amount until October, 2016, or until they exercise their option to buy the project.

The Agency's net investment in this sales-type lease at December 31, 2012, is as follows:

Minimum lease payments receivable	$ 7,515
Less unearned interest income	1,206
Net Investment in Sales-type Lease	$ 8,721

Future minimum lease payments due on this sales-type lease are:

2013	$ 2,004
2014	2,004
2015	2,004
2016	1,503
2017	0
Thereafter	0
Total	$ 7,515

NOTE 9 – SALES-TYPE LEASE – INCLUDED IN OTHER RECEIVABLES AND DEFERRED REVENUES – (CONTINUED)

NBT Bank (formerly Central National Bank Financial Corporation)

In May, 1995, the Agency leased .7 acres of land to NBT Bank for a 30-year term. The lease includes an option to buy during the term of the lease for the remaining installment purchase payments due the Agency and satisfaction of the outstanding revenue bond and note.

NBT Bank (formerly Central National Bank Financial Corporation)

The Agency's net investment in this sales-type lease at December 31, 2012, is as follows:

Minimum lease payments receivable	$ 372,500
Less unearned interest income	148,650
Net Investment in Sales-type Lease	$ 521,150

Future minimum lease payments due on this sales-type lease are:

2013	$ 30,000
2014	30,000
2015	30,000
2016	30,000
2017	30,000
Thereafter	222,500
Total	$ 372,500

NOTE 10 – UNEARNED INTEREST INCOME

Unearned interest income at December 31, 2012, consists of:

Sales-type lease, Note 9	$ 148,650
Sales-type lease, Note 9	1,206
Total	$ 149,856

NOTE 11 – OPERATING LEASE

The Agency, as lessor, has entered into a noncancellable operating lease with NBT Bank for the use of a parking lot for 30 years beginning in 1995 at $9,000 per year. The lease can be renewed for another 30 years.

Future minimum lease payments due the Agency for the next five years are:

2013	$ 9,000
2014	9,000
2015	9,000
2016	9,000
2017	9,000

NOTE 12 – DUE TO OTHER GOVERNMENTS

As of December 31, 2012, the $4,640,959 represents loans owed to Montgomery County, New York, to be used in the development of business/industrial parks within Montgomery County and are comprised of the following:

$900,000 of the balance is recorded as a liability as the County has passed resolutions requiring the serial bond issued by the County to provide the funding to the Agency be repaid in full once the business/industrial parks start generating net revenues. There was no change in the balance due the County in the current year.

$295,000 of the balance is recorded as a liability because the Agency and the County entered into an agreement in September, 2001, which requires the Agency to repay the funds advanced to acquire the Florida Park. The Agency is required to repay the County from the first cash consideration from sales or lease transactions. There was no change in the balance due the County in the current year.

The loans do not have a stated interest rate or due date. No amounts have been recorded in these financial statements related to the interest cost to the Agency since the interest would be offset by an equal amount of revenue from the County.

$2,719,567 of the balance is PILOT payments received by the Agency that has not yet been paid out to the taxing agencies.

The remaining balance of $726,392 represents accounts payable owed to the County and escrow accounts related to the Florida Park.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Agency has received a federal grant for specified purposes that is subject to review and audit by the grantor agency or their designee. Such an audit could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Agency believes such disallowance, if any, will be immaterial.

NOTE 14 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage of and destruction of assets; errors and omissions; and injuries to board members. The Agency has purchased commercial insurance for all of the risks named above. As of December 31, 2012, management is not aware of any claims or potential claims incurred. Therefore, no amounts for losses have been recorded as of December 31, 2012.

NOTE 15 – OTHER CHANGES IN NET POSITION

For the year ended December 31, 2012, the other change in net position was comprised of the following: A reclassification of $83,419 from due to other governments (USDA) to restricted fund balance to properly record and a $750 correction of a payment of marketing expenses by the IDA in the prior year.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2013, the date of issuance of the audit report, and none were considered material.

WEST & COMPANY
CPAs PC

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 Chairperson and Board of the
Montgomery County Industrial Development Agency
Fonda, New York

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Montgomery County Industrial Development Agency, a public benefit corporation, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County Industrial Development Agency'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 Montgomery County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery County Industrial Development Agency'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 Agency'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 Montgomery County Industrial Development 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 or other matters that are required to be reported under *Government Auditing Standards.*

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Purpose of this Report

The purpose of this report is intended 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 Agency'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.

WEST & COMPANY CPAs PC

Gloversville, New York
February 28, 2013

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF INDUSTRIAL DEVELOPMENT BONDS

DECEMBER 31, 2012

Entity and Contacts	Month and Year Issued	Current Interest Rate	Outstanding Beginning of Year	Issued During Year	Paid During Year	Outstanding End of Year	Final Maturity Date	Original Amount of Issue
NBT BANK								
(Formerly Known as Central National Bank)								
BOND DESCRIPTION								
Project 1741 CNB								
Series CNB 95A, CUSIP #613448CZ0	06/01/95	Variable	$ 2,670,000	$ 0	$ 2,670,000	$ 0	05/01/25	$ 3,750,000
Series CNB 96A, MO44-CNB, CUSIP #613448DA4	06/01/96	Variable	670,000	0	670,000	0	05/01/25	1,000,000
NOTEWORTHY INDUSTRIES								
NYS Project Code: 27020801A	12/28/08	3.69%	1,152,667	0	272,417	880,250	12/28/15	1,917,808
FIBERGLASS INDUSTRIES								
NYS Project Code: 27020602A	10/27/06	4.75%	959,983	0	512,576	447,407	10/27/13	3,250,000
FIBERGLASS INDUSTRIES								
NYS Project Code: 27020901A	03/16/09	6.97%	3,577,093	0	732,573	2,844,520	04/01/16	5,000,000
BOCES								
NYS Project Code: 27020401A	01/12/05	2.81%	27,560,000	0	400,000	27,160,000	07/01/34	29,500,000
TOTALS			$ 36,589,743	$ 0	$ 5,257,566	$ 31,332,177		$ 44,417,808

DATED: JANUARY 10, 2007

CODE OF ETHICS

1. Generally. This Code of Ethics applies to both the members and the employees of Montgomery County Industrial Development Agency (the "Agency"). The purpose of this Code of Ethics is to promote honest and ethical conduct and compliance with the law.

2. Definitions. For purposes of this section, unless the context specifically indicates otherwise:

(a) "Agency" shall mean the Montgomery County Industrial Development Agency.

(b) "employee" shall mean any employee of the Montgomery County Industrial Development Agency.

3. Rule With Respect to Conflicts of Interest. No member or employee of the Agency should have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his duties in the public interest.

4. Standards.

(a) No member or employee of the Agency should accept other employment which will impair his independence of judgment in the exercise of his official duties.

(b) No member or employee of the Agency should accept employment or engage in any business or professional activity which will require him to disclose confidential information which he has gained by reason of his official position or authority.

(c) No member or employee of the Agency should disclose confidential information acquired by him in the course of his official duties nor use such information to further his personal interests.

(d) No member or employee of the Agency should use or attempt to use his official position to secure unwarranted privileges or exemptions for himself or others.

(e) No member or employee of the Agency should engage in any transaction as representative or agent of the Agency with any business entity in which he has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his official duties.

(f) A member or employee of the Agency should not by his conduct give reasonable basis for the impression that any person can improperly influence him or unduly enjoy his favor in the performance of his official duties, or that he is affected by the kinship, rank, position or influence of any party or person.

(g) A member or employee of the Agency should abstain from making personal investments in enterprises which he has reason to believe may be directly involved in decisions to be made by him or which will otherwise create substantial conflict between his duty in the public interest and his private interest.

(h) A member or employee of the Agency should endeavor to pursue a course of conduct which will not raise suspicion among the public that he is likely to be engaged in acts that are in violation of his trust.

(i) No member or employee of the Agency employed on a full-time basis nor any firm or association of which such an officer or employee is a member nor corporation a substantial portion of the stock of which is owned or controlled directly or indirectly by such officer or employee, should sell goods or services to any person, firm, corporation or association which is licensed or whose rates are fixed by the Agency.

(j) If any officer or employee of the Agency shall have a financial interest, direct or indirect, having a value of ten thousand dollars or more in any activity which is subject to receiving benefits from the Agency, he should file with the members of the Agency a written statement that he has such a financial interest in such activity which statement shall be open to public inspection.

5. Violations. In addition to any penalty contained in any other provision of law any such member or employee who shall knowingly and intentionally violate any of the provisions of this section may be fined, suspended or removed from office or employment in the manner provided by law.

CERTIFICATE OF CHIEF EXECUTIVE OFFICER

I, Kenneth Rose, certify that I am the Chief Executive Officer of Montgomery County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2012.

Signature:_____

Title:_____Chief Executive Officer_____

CERTIFICATE OF CHIEF FISCAL OFFICER

I, Sheila Snell, certify that I am the Chief Fiscal Officer of Montgomery County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2012.

Signature:_____

Title:_____Chief Fiscal Officer_____