

**PUTNAM COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE COUNTY OF PUTNAM)**

FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Putnam County Industrial Development Agency
34 Gleneida Avenue
Carmel, New York

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Putnam County Industrial Development Agency of the State of New York, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Putnam County Industrial Development'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Putnam County Industrial Development Agency of the State of New York, as of December 31, 2012 and 2011, and the respective changes in financial position, and, where applicable, 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 principals generally accepted in the United States of America require that the management's discussion and analysis on pages four through six 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Putnam County Industrial Development Agency of the State of New York's basic financial statements. The accompanying supplementary information, as referred to in the preceding paragraph, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This supplementary Schedule of Contractual Expenses (Schedule 1) and the Schedule of Supplemental Bond Information (Schedule 2), have 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 31, 2013, on my consideration of the Putnam County Industrial Development Agency's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Putnam County Industrial Development Agency's internal control over financial reporting and compliance.



Michael R. Quis
Certified Public Accountant

Carmel, New York
March 31, 2013

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011**

The following "Management's Discussion and Analysis" report ("MD&A") provides the reader with a narrative overview, discussion and analysis of the financial activities of the Agency for the years ended December 31, 2012 and 2011 respectively. The MD&A provides an assessment of the factors that in management's view significantly affected the Agency's overall financial position. Within this report, there may be assumptions or conclusions by management that should be considered a replacement for the presented financial statements. Information contained in the MD&A must be reviewed in conjunction with the Independent Auditor's Report, the Agency's audited financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

The Agency's total assets exceed its total liabilities by \$10,555 as of December 31, 2012. Operating revenues in the 2012 year were less than the current year's standard contractual expenses by \$49,570. As a result, net assets decreased in calendar year 2012 by 82% over 2011.

Straight lease revenues consisted of annual lease transaction fee revenues of \$10,000 along with \$3,250 of administrative, application and modification fees pertaining to bonds and/or leases. Total current year operating revenues of \$15,830 were less than the amount received in the 2011 year by \$34,920.

The Agency's operating expenses in the 2012 year decreased by \$3,526 from the prior year resulting from the decrease of various contractual expenses.

The resulting decrease of \$51,154 in the 2012 year ending cash balance is a result primarily of the lower operating revenues. The only significant asset of the Agency is the cash held in the local banks. The property and equipment owned has been fully depreciated with no remaining book value. Liabilities of the Agency consist primarily of the accrued audit fee and payroll tax liabilities.

Management stated that the cash balance of \$13,936 at December 31, 2012 will allow the Agency to continue its operations for a period of one year or more. It is anticipated in the 2013 year, additional revenues beyond the current straight leases annual fees will be received from a new bond issuance. There are many projects under consideration in Putnam County that are considering revenue bond or straight lease financing.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011**

SUMMARY OF OPERATING/NON-OPERATING ACTIVITIES

| | <u>2012</u> | <u>2011</u> | <u>Increase(Decrease)</u> |
|--|-----------------|-----------------|---------------------------|
| <u>OPERATING REVENUE</u> | | | |
| Operating | <u>\$15,830</u> | <u>\$50,750</u> | <u>\$(34,920)</u> |
| <u>NON-OPERATING REVENUE</u> | | | |
| Interest Income | \$ 130 | \$ 226 | \$ (96) |
| Other Income | <u>15</u> | <u>61</u> | <u>(46)</u> |
| Total Non-Operating Revenue | <u>\$ 145</u> | <u>\$ 287</u> | <u>\$ (142)</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Agency administration | \$65,400 | \$68,926 | \$ (3,526) |
| Depreciation | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Operating Expenses | <u>\$65,400</u> | <u>\$68,926</u> | <u>\$(3,526)</u> |
| <u>NON-OPERATING EXPENSES</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| <u>TRANSFER AND CONTRIBUTIONS</u> | | | |
| Contribution from other organizations | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

FUND FINANCIAL STATEMENTS

The Agency, a component unit of Putnam County, New York is within the fund category of a Proprietary Fund; their fund type is considered to be that of an Enterprise Fund. Fund accounting is a method of accountability used to maintain control over resources segregated for specific activities or objectives. Enterprise funds generally reflect business-type activities in which services are provided for a fee.

OVERVIEW OF FINANCIAL STATEMENTS

The Agency's financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information.

The statement of net assets presents information on the Agency's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the direction of the Agency's financial position.

The statement of revenue, expenses and changes in net assets reports the operating revenues and expenses and non-operating revenues and expenses of the Agency for the fiscal year with the differences (the net income or loss) to determine the net change in assets for the

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011**

fiscal year. The change combined with the net assets at the end of the previous year total to the net assets at the end of the current fiscal year.

The statement of cash flows reports all cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

The accompanying notes to the financial statements provide information essential to an understanding of fund type financial statements and to certain accounting policies, procedures and guidelines followed by the Agency.

REQUESTS FOR INFORMATION FROM THE AGENCY

This financial report is designed to provide the readers of these statements with a general overview of the Agency's finances. All inquiries relating to this report should be addressed to the Chairman of the Putnam County Industrial Development Agency, 34 Gleneida Avenue, Carmel, NY 10512.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash (including petty cash) | \$ 13,936 | \$ 65,090 |
| Prepaid expenses | 943 | 909 |
| Total current assets | <u>14,879</u> | <u>65,999</u> |
| Capital assets (Notes 2b and 3) | | |
| Office equipment | 18,729 | 18,729 |
| Furniture and fixtures | 10,995 | 10,995 |
| Computer equipment | 9,195 | 9,195 |
| | <u>38,919</u> | <u>38,919</u> |
| Less: accumulated depreciation | <u>(38,919)</u> | <u>(38,919)</u> |
| Total capital assets, net | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 14,879</u></u> | <u><u>\$ 65,999</u></u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accrued liabilities | \$ 4,324 | \$ 6,019 |
| Total current liabilities | <u>4,324</u> | <u>6,019</u> |
| NET ASSETS | | |
| Unrestricted | <u>10,555</u> | <u>59,980</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 14,879</u></u> | <u><u>\$ 65,999</u></u> |

See the accompanying notes to financial statements.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|--|-------------------------|-------------------------|
| OPERATING REVENUE | | |
| Straight-lease transaction rental income | \$ 10,000 | \$ 10,000 |
| Straight-lease transaction tax savings income | 2,580 | - |
| Bond fee income | - | 40,000 |
| Lease/bond application fees | <u>3,250</u> | <u>750</u> |
| Total operating revenues | <u>15,830</u> | <u>50,750</u> |
| OPERATING EXPENSES | | |
| Contractual expenses (Schedule 1): | | |
| Agency administration | <u>65,400</u> | <u>68,926</u> |
| Total operating expenses | <u>65,400</u> | <u>68,926</u> |
| Net operating income (loss) | <u>(49,570)</u> | <u>(18,176)</u> |
| NON-OPERATING REVENUE (EXPENSE) | | |
| Interest income | 130 | 226 |
| Other income | <u>15</u> | <u>61</u> |
| Total non-operating revenue (expense) | <u>145</u> | <u>287</u> |
| Income (loss) before transfers and contributions | (49,425) | (17,889) |
| Unrestricted contributions | <u>-</u> | <u>-</u> |
| Change in net assets | (49,425) | (17,889) |
| Total net assets, beginning of year | <u>59,980</u> | <u>77,869</u> |
| Total net assets, end of year | <u><u>\$ 10,555</u></u> | <u><u>\$ 59,980</u></u> |

See the accompanying notes to financial statements.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|---|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from straight-lease rentals | \$ 10,000 | \$ 10,000 |
| Bond fee income | - | 40,000 |
| Straight-lease transaction tax savings income | 2,580 | - |
| Lease/bond application fees | 3,250 | 750 |
| Payments to vendors | (23,535) | (21,787) |
| Payments to employees | <u>(43,594)</u> | <u>(44,840)</u> |
| Net cash used by operating activities | <u>(51,299)</u> | <u>(15,877)</u> |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| Interest income | 130 | 226 |
| Other income | <u>15</u> | <u>61</u> |
| Net cash provided from investing activities | <u>145</u> | <u>287</u> |
| Net increase (decrease) in cash and cash equivalents | (51,154) | (15,590) |
| Cash and cash equivalents – beginning of the year | <u>65,090</u> | <u>80,680</u> |
| Cash and cash equivalents – end of the year | <u><u>\$ 13,936</u></u> | <u><u>\$ 65,090</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (49,570) | \$ (18,176) |
| Net change in assets and liabilities: | | |
| (Increase) decrease in prepaid expenses | (34) | (32) |
| Increase (decrease) in accrued operating liabilities | (1,695) | (169) |
| (Increase) decrease in lease transaction fees receivable | <u>-</u> | <u>2,500</u> |
| Net cash used by operating activities | <u><u>\$ (51,299)</u></u> | <u><u>\$ (15,877)</u></u> |

See the accompanying notes to financial statements.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 – THE REPORTING ENTITY

The Agency was organized August 31, 1995, by the Putnam County Legislature under the authority of General Municipal Law, Section 856.1A of the State of New York. Accordingly, the Agency is exempt from taxes on income generated. The Agency was established to attract new business and encourage them to relocate to Putnam County. Additionally, as stated by the Agency, its purpose is to promote the economic welfare, recreational opportunities, and prosperity of its inhabitants; and to promote, attract, encourage and develop recreation and economically sound commerce and industry through governmental action for the purpose of preventing unemployment and economic deterioration.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Agency follows the provisions of the Governmental Accounting Standards Board, which establishes the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus on the accrual basis of accounting and reflect transactions on behalf of the Agency, the reporting entity. The Agency accounts for its operations as a proprietary enterprise fund.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

B. Capital Assets

Capital assets are stated at historical cost.

Depreciation is provided on the straight-line method at rates that are designed to amortize the original cost of the property over its estimated useful life. The major categories of capital assets in service, and their estimated useful lives are as follows at December 31, 2012 and 2011:

| | <u>Estimated Useful Lives</u> |
|------------------------|-----------------------------------|
| Office equipment | 5 to 6 years |
| Furniture and fixtures | 10 years |
| Computer equipment | 5 years |

C. Cash & Cash Equivalents

Cash and cash equivalents consist of cash held in a checking account. The Agency's cash balances were deposited at Putnam County Savings Bank. The Board of Directors believes the Agency is not exposed to any significant credit risk on cash and cash equivalents. Uninsured/uncollateralized balances are approximately \$0 at December 31, 2012. All balances are insured by the FDIC.

NOTE 3 - CAPITAL ASSETS

Capital assets at December 31, 2012 and 2011 are as follows:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Capital Assets, Net</u> |
|------------------------|-----------------|-------------------------------------|--------------------------------|
| Office equipment | \$18,729 | \$18,729 | \$ - |
| Furniture and fixtures | 10,995 | 10,995 | - |
| Computer equipment | <u>9,195</u> | <u>9,195</u> | <u>-</u> |
| Total | <u>\$38,919</u> | <u>\$38,919</u> | <u>\$ -</u> |

NOTE 4 - LEASES

The Agency leased office space from the County of Putnam at \$525 per month on a yearly basis for 2012 and 2011 respectively. It is anticipated that the lease will be renewed in the following calendar year (2013) at the existing rate of \$525 per month.

