

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
REGULATORY BASIS FINANCIAL STATEMENTS
And
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS
For the Year Ended December 31, 2011

Richard H. Dinolfo
Certified Public Accountant
Queensbury, New York

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**REGULATORY BASIS FINANCIAL STATEMENTS
and
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

For the Year Ended December 31, 2011

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Richard H. Dinolfo

Certified Public Accountant

15 Willow Road
Queensbury, New York 12804-1240
518-793-9331
518-798-0904 FAX
rdinolfo@gmail.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Chairman and Members
Hamilton County Industrial Development Agency
Lake Pleasant, New York

We have audited the accompanying regulatory basis financial statements of the Hamilton County Industrial Development Agency (Agency) as of and for the year ended December 31, 2011. These regulatory basis financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit.

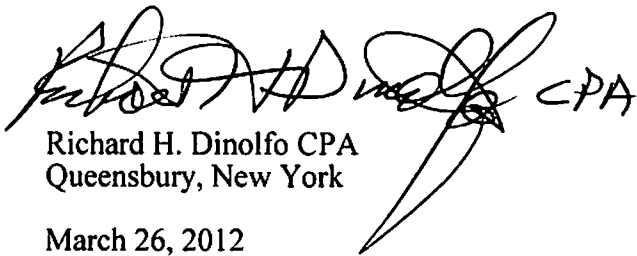
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the regulatory basis financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall regulatory basis financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As more fully described in Note A to the regulatory basis financial statements, the Agency prepared these financial statements using regulatory accounting and reporting practices prescribed by the Office of the State Comptroller of the State of New York for submitting annual financial reports to that office and the Authorities Budget Office of the State of New York. This regulatory basis of accounting and reporting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and reporting, and accounting principles generally accepted in the United States of America, although not readily determinable, are presumed to be material.

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the Hamilton County Industrial Development Agency as of December 31, 2011, and the results of its operations for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012 on our consideration of the 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 and 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.

As there are differences between financial statements prepared in accordance with accounting principles generally accepted in the United States of America, and financial statements prepared in accordance with the regulatory accounting and reporting practices prescribed by the Office of the State Comptroller of the State of New York, this report should not be used by anyone not understanding those differences. Accordingly, this report is intended solely for the information and use of the governing board and management of the Hamilton County Industrial Development Agency, and for filing with the Office of the State Comptroller and the Authorities Budget Office of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.



Richard H. Dinolfo CPA
Queensbury, New York

March 26, 2012

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

BALANCE SHEET December 31, 2011

ASSETS

Cash and cash equivalents	\$ 231,890
Community development loan receivables	244,944
Loans receivable - Village of Speculator	60,000
Other assets - Oak Mountain (See Note F-2)	<u>868,286</u>

Total assets **\$1,405,120**

LIABILITIES

Accounts payable	\$ 26,684
Notes payable	228,229
Deferred revenues	<u>908,250</u>
Total liabilities	1,163,163

NET ASSETS

Restricted for Oak Mountain Assets (See Note F-2)	204,980
Unrestricted	<u>36,977</u>
Total net assets	<u>241,957</u>

Total liabilities and net assets **\$1,405,120**

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Year Ended December 31, 2011

OPERATING REVENUES	
Program income from loan repayments	\$ 51,078
Cell tower revenue	<u>53,266</u>
Total operating revenues	104,344
OPERATING EXPENSES	
Community development loans	70,000
Contractual	<u>79,364</u>
Total operating expenses	<u>149,364</u>
Operating income (loss)	<u>(45,020)</u>
NONOPERATING REVENUES	
Interest received on community development loan repayments	5,637
Interest and earnings on temporary cash investments	108
Gifts and donations	<u>144</u>
Total nonoperating revenues	5,889
NONOPERATING EXPENSES	
Interest paid on notes payable	<u>12,310</u>
Total nonoperating expenses	<u>12,310</u>
CHANGE IN NET ASSETS	(51,441)
NET ASSETS, <i>beginning of year</i>	<u>293,398</u>
NET ASSETS, <i>end of year</i>	<u>\$ 241,957</u>

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

CASH FLOWS PROVIDED (USED) BY OPERATING
ACTIVITIES

Program income from loan repayments	\$ 51,078
Cell tower revenue	53,266
Payments of community development loans	(70,000)
Payments to contractors	<u>(55,430)</u>
	<u>(21,086)</u>

CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED
FINANCING ACTIVITIES

Gifts and donations - Friends of Oak Mountain	144
Collection of original temporary loan to Village of Speculator	60,000
Temporary loan to Village of Speculator	(60,000)
Principal on notes payable	(11,771)
Interest on notes payable	<u>(12,310)</u>
	<u>(23,937)</u>

CASH FLOWS PROVIDED (USED) BY INVESTING
ACTIVITIES

Interest on community development loan repayments	5,637
Interest and earnings on temporary cash investments	<u>108</u>
	<u>5,745</u>

Net increase (decrease) in cash and cash equivalents (39,278)

CASH AND CASH EQUIVALENTS, *beginning of year* 271,168

CASH AND CASH EQUIVALENTS, *end of year* \$ 231,890

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	\$ (45,020)
Increase (decrease) in accounts payable	<u>23,934</u>

Net cash provided (used) by operating activities \$ (21,086)

The accompanying Notes to Regulatory Basis Financial Statements are an integral part of these statements.

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS Year Ended December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hamilton County Industrial Development Agency (Agency) is a public benefit corporation created in 1986 by the New York State Legislature pursuant to Article 18-A and Section 926-R of the General Municipal Law of the State of New York. The purpose of the Agency is to promote commerce and industry within the County of Hamilton (County). The members of the Agency Board are appointed by the County Board of Supervisors. The Chairman is elected by members of the Agency Board.

The Office of the State Comptroller of the State of New York (OSC) has the basic responsibility to provide oversight to local governments and other applicable governmental agencies in accordance with provisions of the State Constitution and Article 3 of the General Municipal Law of the State of New York. OSC has established the Accounting and Reporting Manual for industrial development agencies in accordance with the provisions of Sections 36 and 859 of the General Municipal Law. OSC and the Authorities Budget Office of the State of New York (ABO) have developed a comprehensive on-line reporting system, known as the Public Authorities Reporting Information System (PARIS) for organizations subject to provisions of applicable laws of the State of New York to report their financial statements and other required information. Accordingly, the Agency is required to prepare its financial statements on this regulatory basis of accounting and reporting prescribed by OSC for submitting PARIS reports to OSC and ABO.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles that are generally accepted in the United States of America. The regulatory basis of accounting and reporting referred to above varies from accounting principles generally accepted in the United States of America primarily because it requires the use of only one fund to report both governmental and business-type activities and does not reflect the adoption of GASB Statement Nos. 34 and 38, and other applicable statements. The regulatory method is the same method used by the Agency for fiscal years ending prior to December 31, 2011.

In preparing the regulatory basis financial statements in conformity with the accounting principles described above, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the regulatory basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying regulatory basis financial statements follows.

1. Financial Reporting Entity

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria in the regulatory basis of financial reporting prescribed by the OSC. This criteria generally includes determinations about the Agency Board's ability to exercise oversight responsibility, the scope of public service provided by the entity, and the existence of special financing relationships. Based upon the application of these criteria, the Agency is not considered a component unit of the County.

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

Year Ended December 31, 2011

The following potential component unit has been excluded from the Agency's reporting entity:

Hamilton County Local Development Corporation

The Hamilton County Local Development Corporation (LDC) was incorporated in 1985 under the Not-for Profit Corporation Law of the State of New York to promote economic growth within the County. Members of the LDC governing board are not appointed by the Agency or the County Board of Supervisors. LDC Board members have complete responsibility for management of the LDC and accountability for fiscal matters. The LDC Board decided to cease operations and dissolve the corporation as of the year ended December 31, 2011.

2. Basis of Presentation, Fund Accounting

In accordance with the regulatory basis of accounting and reporting referred to above, the Agency uses a single fund to report its financial position and the results of its operations for both governmental and business-type activities. A fund is a separate accounting entity with a self-balancing set of accounts.

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Under the regulatory basis of accounting referred to above, the Agency's single fund is required to be accounted for using the measurement focus and basis of accounting as appropriate for proprietary funds. Similar to business enterprises, the Agency is required to utilize a measurement focus based on the flow of economic resources for both its governmental and business-type activities. This includes the capitalization of capital assets, if any, charging depreciation expense, and recording long-term debt within the single fund, if applicable.

4. Budgetary Data

The Agency does not adopt an annual budget for operational purposes. Most operating services are provided by the County, and Agency personnel are employees of the County. Estimates for individual community development projects financed by federal aid passed through from the County are established by the Agency on an as needed basis.

5. Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand deposits and time deposits. The Agency did not have any investments at year-end.

6. Community Development Funds

The Agency has entered into various agreements with the County to act as the subrecipient of certain federal Community Development Block Grant funds the County received from the United States Department of Housing and Urban Development through the State of New York Homes and Community Renewal. In general, the applicable federal funds and proceeds from repayment of loans initially made from the federal funds can be used to make grants or loans to eligible recipients for authorized purposes. Over the past few years, the federal funds have been used for eligible grant and loan programs.

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS Year Ended December 31, 2011

The Agency accounts for federal fund transactions in accordance with the applicable federal and state program requirements. Receipt of the federal pass-through funds is recorded as federal aid revenue when all eligibility requirements have been met, and payments of loans or grants to eligible recipients are recorded as expenses. In accordance with federal requirements, repayment of loan proceeds is considered program income and must be accounted for and used for similar authorized purposes. Accordingly, loans made under the federal programs are also recorded as receivables from the loan recipients, with the principal amount offset by deferred revenues. Some loans were made at zero percent interest. Based on compliance with program requirements, portions of some of the outstanding loans may be forgiven. As program revenue is received from the loan repayments and recorded as revenue, the related loans receivable and deferred revenue accounts are also adjusted. If portions of the loans are forgiven, the related loans receivable and deferred revenue accounts will be reduced.

NOTE B - CASH

New York State statutes require the Agency to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 per depositor, per bank. This collateral can be in the form of federal, state, and local government securities held by the Agency's bank or trust department and can be pledged to secure the Agency's deposits.

The Agency's deposits were fully insured and/or collateralized as of December 31, 2011.

NOTE C - RECEIVABLES

The Agency reports the following receivables at December 31, 2011:

Community development loans, due in periods from 5 to 10 years with interest ranging from 0% to 5%	\$ 244,944
* See Footnote F2, <i>Oak Mountain Redevelopment Project</i>	
Temporary loan to the Village of Speculator	<u>60,000</u>
Total receivables	<u>\$ 304,944</u>

As described in Note A6, the value of the outstanding community development loans is offset in the financial statements by deferred revenues. As described in Note F2, the Oak Mountain community development loans and other receivables were included in foreclosure actions, and the Agency has taken title to the applicable properties. The Agency plans to sell the properties and expects to recover more than the non-deferred portions of the receivables. Accordingly, no allowance for uncollectible receivables is reported.

NOTE D - CAPITAL ASSETS

Through the year ended December 31, 2011, the Agency has not acquired any capital assets for use in its governmental or business-type activities. Office space, minor equipment items, and certain other resources are provided to the Agency by the County. Accordingly, no capital assets are shown in the financial statements.

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE E - NOTES PAYABLE

As of December 31, 2011, the Agency had outstanding the following long-term note payable:

<u>Notes Payable</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2011</u>
Promissory note	4/1/2011	4/1/2016	6.13%	\$ 228,229

The Agency initially borrowed \$240,000 on a promissory note dated June 11, 2009 with a maturity date of June 11, 2011, payable with interest on the unpaid principal balance at 4.25%. The Agency paid interest only on the original note until it was refinanced to longer term financing of \$240,000, which included a mortgage on the Oak Mountain properties. See Note F2. Under the terms of the refinanced note, the Agency is required to make monthly payments of \$2,691 beginning May 1, 2011 until maturity April 1, 2016. Each payment will include principal and interest. The monthly payments are determined on a ten year amortization, and require a balloon payment after five years on the April 1, 2016 maturity date. Additional principal payments may be prepaid without penalty until the maturity date.

The following are the estimated payments to maturity calculated without consideration of any possible principal prepayments:

<u>Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 32,296	\$ 18,746	\$ 13,550
2013	32,296	20,011	12,285
2014	32,296	21,273	11,023
2015	32,296	22,614	9,682
2016	148,500	145,585	2,915
Totals	<u>\$ 277,684</u>	<u>\$ 228,229</u>	<u>\$ 49,455</u>

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Grants

The Community Development Block Grants received by the Agency through the County are subject to audit by certain agencies of New York State and the United States Government. Such audits could result in disallowances and a request for return of funds. The Agency administration believes disallowances, if any, will be immaterial.

2. Oak Mountain Redevelopment Project

During 2001, the Agency received a \$730,000 Community Development Block Grant, which was passed through the County, to help finance the Oak Mountain Redevelopment Project. Of this amount, \$710,000 was loaned to Oak Mountain Ski Center, Inc. (Oak Mountain) to provide part of the financing for renovations to the ski center. The loan was to be repaid with interest at 5.00%.

During 2004, Oak Mountain stopped making loan payments, leaving an unpaid principal balance of \$663,306. This amount is included in community development loans receivable (Note C) and revenue from loan repayment is entirely deferred, as are other community development loans. The

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS

Year Ended December 31, 2011

loan was secured by a mortgage on the applicable property. To secure the Agency's interest in the loan and mortgage, the Agency on December 22, 2005, purchased for \$175,000 an existing \$350,000 mortgage and promissory note on the applicable property. The original mortgage and promissory note were due in 2004 with interest at 6.75%.

On March 6, 2009, the Agency took possession of the properties through foreclosure, including the cellular tower and property atop the mountain. The Agency has offered both properties for sale, and will sell the properties in accordance with the Agency's property disposal policy.

For the past five winter seasons, the Village of Speculator has operated the ski center with certain limited financial assistance from the Agency. In September 2009, the Agency purchased a used piston bully groomer for use at the ski center for \$29,980, replacing an older groomer which was in need of repairs. Since the Agency acquired title to the Oak Mountain assets in March 2009, these assets are reported separately from other Agency assets that pertain to the community development programs. Oak Mountain assets were determined and are reported in the financial statements as follows:

Unpaid principal balance of the primary community development loan	\$ 663,306
Purchase of existing mortgage	175,000
Purchase of used piston bully groomer	<u>29,980</u>
Total reported amount of Oak Mountain assets	<u>\$ 868,286</u>

In accordance with federal and state program guidelines, the unpaid principal balance of the primary community development loan is offset in the financial statements by deferred revenue. The assets relating to the purchase of the existing mortgage and the purchase of the used piston bully groomer are offset in the financial statements by restricted net assets, since these assets are non-spendable assets and are not available to pay for other Agency expenses.

These amounts are reported in the financial statements as follows:

Deferred revenue for unpaid loan principal balance	\$ 663,306
Restricted net assets	<u>204,980</u>
Total amounts offsetting Oak Mountain assets	<u>\$ 868,286</u>

The Agency believes Oak Mountain is an important historical, cultural, recreational, and economic landmark for the entire southern half of Hamilton County and that an operating ski center is of benefit to the community. An operating ski center is one of the few winter month employers in the entire County. The Agency continues to work on a solution that will result in the continued operation of the ski center.

15 Willow Road
Queensbury, New York 12804-1240
518-793-9331
518-798-0904 FAX
rdinolfo@gmail.com

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
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***

Chairman and Members
Hamilton County Industrial Development Agency
Lake Pleasant, New York

We have audited the regulatory basis financial statements of the Hamilton County Industrial Development Agency (Agency) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 2012. 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

The Chairman, members and management of the Agency are responsible for establishing and maintaining effective 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 regulatory basis financial statements as reported in the PARIS report, 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.

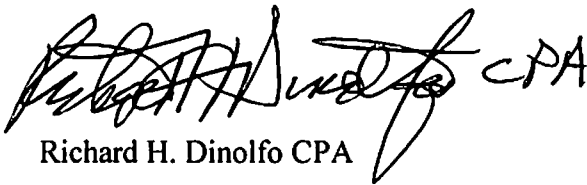
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material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

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to Agency Executive Director and management in a separate letter dated March 26, 2012.

This report is intended for the information of Chairman and Members of the Agency Board, the Executive Director, others within the Agency, and for filing with the Office of the State Comptroller and the Authorities Budget Office of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard H. Dinolfo CPA", with the letters "CPA" written in a larger, bolder font to the right of the signature.

Richard H. Dinolfo CPA

Queensbury, New York
March 26, 2012