

**MONTGOMERY COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

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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, 2020, 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.

Auditors' 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 auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

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, 2020, 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 11 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 24 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 24 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021, 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
March 11, 2021

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 nonfinancial 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 2020 ACTIVITIES

The Montgomery County Industrial Development Agency is comprised of a seven member Board of Directors. Members serve at the pleasure of the County Legislature.

The IDA met a total of 6 times in 2020. The following is a summary of the primary activities the IDA was involved with in 2020.

A. EXPANSIONS AND NEW PROJECTS

1. Valley View Hospitality, Inc.

Microtel held a grand opening on their 67-room hotel on State Highway 5s in the City of Amsterdam. The project was assisted with a \$500,000 loan through the Montgomery County Revolving Loan Fund as well financial incentives through the Agency. The estimated \$7 million dollar project will lead to the creation of 14 full time jobs.

2. Eisenadler Brauhaus, LLC

The Agency processed a loan through the County's Revolving Loan Fund for Eisenadler Braushaus, LLC in the amount of \$150,000 in 2019. The project is anticipated to lead to the creation of 5 full time jobs. Eisenadler Braushaus, LLC will be joining the microbrewery industry with a focus on Bavarian style beers. Eisenadler Braushaus is seeking funding in order to officially launch its brewery operations and to purchase equipment including the fermentation tanks. Throughout 2020 Eisenadler continued construction and rehab work on the facility in the Village of Nelliston for the establishment.

3. Vida-Blend, LLC

Vida-Blend finished their construction of their new facility located in the Florida Park Extension. The project consisted of the construction of a pre-mix nutrient manufacturing facility entailing approximately 14,000 square feet. The project will result in a capital investment estimated at \$1.4 million with 18 new full time jobs and 18 retained full time jobs.

4. Montgomery County Agriculture Microenterprise Grant II

Agriculture Microenterprise Program: Agriculture has long been a staple of the regional economy and continues to play a central role in Montgomery County's economy. With more than 60 local farms run by someone 35 years old or younger, farmers continue to look for assistance to survive long-term. To help family farms continue to thrive in a competitive international marketplace and to provide these farmers a boost, the Montgomery County Business Development Center, in partnership with the Montgomery County Soil & Water Conservation District, issued a second round of grant funding through the Agriculture Microenterprise grants. In 2020, staff continued to administer the Ag Micro grant program. Grant funding was awarded to nine farms, totaling more than \$185,000. The grant awards, which ranged from \$8,000 to \$25,000, were primarily used for farm equipment to help these local farms continue to grow and meet the ever changing needs of the industry. In its two rounds, the Agriculture Microenterprise program has enabled farms in Montgomery County to be able to receive essential financial assistance to help keep their agri-business's viable in a changing and challenging marketplace. Ensuring farmers have the resources they need to support their operation ensures we continue to have a diversity of employers locally.

5. EPA Assessment Grant

Staff applied for a \$300,000 Community Wide Hazardous Substances Assessment grant through the Environmental Protection Agency to complete Phase II environmental assessments at four strategic redevelopment sites. The grant was awarded and the RFP to undertake this work will be released in early 2021.

6. Daycare Feasibility Study Project

The Agency, along with county officials, worked with leaders in the business community to explore the feasibility of developing a new childcare facility in the Amsterdam area, along the Route 5S corridor – the central business hub in the county. The study included an examination of demographic and socioeconomic trends in Montgomery County, a competitor inventory and analysis complete with a review of existing assets, interviews with local employers, interviews with existing childcare facilities, and a survey to examine how local employees view current childcare supply and demand. The study also analyzed the cost of local childcare services, desired amenities and programming, remote learning supplement needs, and support from Montgomery County and its employers. Now that the comprehensive study and planning document is complete, the County will look to gauge interest from a number of childcare providers.

7. Buy It In Montgomery Campaign

The global pandemic left many businesses across the country, including many local small businesses in Montgomery County, facing unprecedented economic hardship. Recognizing that a key focus to long-term financial recovery for businesses had to be a highlight of shopping local, the Agency launched a “Buy It In Montgomery” campaign, intended to help promote local businesses. The campaign included a branded logo and created an online website to connect consumers with Montgomery County businesses, products and services. Participation in the “Buy It In Montgomery” campaign was open to all businesses in Montgomery County and used a variety of methods such as social-digital ads, strategically placed billboard advertisements, and newspaper ads to support the initiative.

B. ON-GOING INITIATIVES

1. Exit 29 Local Water Revitalization Plan

Staff and their consultants completed the Local Water Revitalization Plan (LWRP) in the Village of Canajoharie with a focus on the reuse of the former Beech Nut facility at Exit 29. The plan was made possible with a \$85,000 grant from the New York State Department of State.

2. Exit 29 Redevelopment Project

Apollo Dismantling Services, LLC worked through 2020 on hazardous and asbestos abatement on the western side of the site. Apollo completed the project in October, 2020 and bids were developed for the demolition of the western side buildings, which was slated to be released in early 2021. On-going monitoring and reporting were conducted throughout the year to Empire State Development as part of the RESTORE NY Grants that were awarded for this project.

3. Marketing and Brand Evaluation

The Agency continued to build upon long-term relationships with local businesses through an array of marketing techniques. The video equipment purchased by the Agency was used to expand marketing efforts in attracting new business to come to the county, and to continue assisting existing and emerging local businesses in growing and thriving in the community. This equipment has been used to create a Focus on Business series where promotional videos are produced to showcase local businesses and provide viewers more insight on companies in Montgomery County. The Agency, through their public relations and marketing firm, Empire Solutions, was utilized to help supplement efforts behind the branding initiative, which seeks to capture the positive attributes of the county and its residents, and more effectively track the results of the use of the brand. Empire Solutions was instrumental in its efforts to grow the audience for positive news happening throughout the county and enhance marketing efforts to continue the positive economic news and development taking place. Through their efforts, the Agency effectively consolidated webpages, updated marketing materials, expanded social and digital reach.

C. SUMMARY OF FINANCIAL RESULTS

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

Table A-1

Condensed Statement of Net Assets

	<u>2020</u>	<u>2019</u>	<u>Percentage Change Increase/-Decrease</u>
Assets			
Current assets	\$ 2,519,809	\$ 4,125,180	-39%
Capital assets	<u>1,980,867</u>	<u>2,071,281</u>	-4%
Total Assets	4,500,676	6,196,461	-27%
Liabilities			
Current liabilities	826,967	2,304,574	-64%
Long-term liabilities	<u>1,195,000</u>	<u>1,195,000</u>	0%
Total Liabilities	2,021,967	3,499,574	-42%
Deferred Inflows			
Unearned interest income	23,494	34,255	-31%
Net Assets			
Net investment in capital assets	785,867	876,281	-10%
Restricted	83,419	83,419	0%
Unrestricted	<u>1,585,929</u>	<u>1,702,932</u>	-7%
Total Net Assets	<u>\$ 2,455,215</u>	<u>\$ 2,662,632</u>	-8%

Changes in Net Assets

The IDA's revenue was \$12,608 (see Table A-2).

The total cost of all programs and services amounted to \$220,025 for 2020. Professional fees and salaries accounted for 51% and 31%, respectively.

Net position for the year decreased by \$207,417.

Table A-2

Changes in Net Assets from Operating Results

	<u>2020</u>	<u>2019</u>	<u>Percentage Change Increase/-Decrease</u>
Revenues			
Program Revenues			
Charges for services	\$ 44,314	\$ 365,219	-88%
Grants	0	1,900,374	-100%
Gain (loss) on sale of land	(38,988)	0	-100%
Use of money and property	7,282	14,186	-49%
Total Revenues	<u>12,608</u>	<u>2,279,779</u>	-99%
Expenses			
Real property taxes	468	525	-11%
Professional fees	111,839	267,686	-58%
Salaries	67,796	51,964	30%
Marketing	1,050	54,373	-98%
Grant expenses	0	1,900,374	-100%
Insurance expense	9,188	9,176	0%
Depreciation	3,251	3,251	0%
Repairs and maintenance	10,428	8,000	30%
Office expense	15,683	19,883	-21%
All other expenses	322	5,743	-94%
Total Expenses	<u>220,025</u>	<u>2,320,975</u>	-91%
(Decrease) in Net Position	<u>\$ (207,417)</u>	<u>\$ (41,196)</u>	-403%

D. LONG-TERM DEBT

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

III. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)

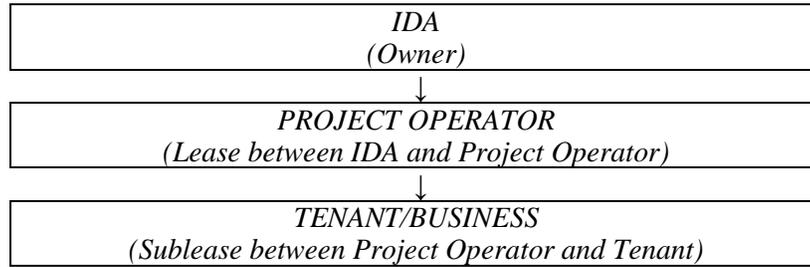
A. Background

The IDA currently has eight 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 2020, 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, 2020, was used for the 2020-2021 school tax bills and the 2021 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, 2020
- > CO Issued : August, 2020
- > Building Goes on Tax Roll : March, 2021
- > Year 1 of PILOT for:
 - School Tax : 2020-2021 Tax Year
(September – August)
 - County Tax : 2021 Tax Year
(January – December)
 - City/Town Tax : 2021 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 2021 with additional development in both the Florida and Glen Business Parks along with the Exit 29 Redevelopment Site. The IDA will continue to work with the Montgomery County Legislature for future business park development.

V. CONTACTING THE IDA'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional information, please contact:

Kenneth Rose, Chief Executive Officer
Montgomery County Industrial Development Agency
9 Park Street, PO Box 1500
Fonda, New York 12068
(518) 853-8334

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

DECEMBER 31, 2020

ASSETS

Cash	
Unrestricted	\$ 1,488,354
Restricted	892,560
Other receivables	131,203
Prepaid expenses	7,692
Fixed assets (net)	<u>1,980,867</u>
TOTAL ASSETS	4,500,676

LIABILITIES

Accounts payable	6,632
Deposits	4,000
Due to other governments	<u>2,011,335</u>
TOTAL LIABILITIES	2,021,967

DEFERRED INFLOWS

Unearned interest income	23,494
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NET POSITION

Net investment in capital assets	785,867
Restricted	83,419
Unrestricted	<u>1,585,929</u>
TOTAL NET POSITION	<u>\$ 2,455,215</u>

See notes to basic financial statements.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Program Revenue</u>			Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Other Program Revenues</u>	
FUNCTION/PROGRAMS				
Real property taxes	\$ 468	\$ 0	\$ 0	\$ (468)
Professional fees	111,839	24,553	0	(87,286)
Salaries	67,796	0	0	(67,796)
Marketing	1,050	0	0	(1,050)
Insurance expense	9,188	0	0	(9,188)
Depreciation	3,251	0	0	(3,251)
Repairs and maintenance	10,428	0	0	(10,428)
Office expense	15,683	0	0	(15,683)
All other expenses	322	0	0	(322)
Unallocated	0	19,761	0	19,761
Total function/programs	<u>\$ 220,025</u>	<u>\$ 44,314</u>	<u>\$ 0</u>	(175,711)
GENERAL REVENUE				
(Loss) on sale of land				(38,988)
Use of money and property				<u>7,282</u>
Total general revenue				<u>(31,706)</u>
CHANGE IN NET POSITION				(207,417)
TOTAL NET POSITION - BEGINNING OF YEAR				<u>2,662,632</u>
TOTAL NET POSITION - END OF YEAR				<u>\$ 2,455,215</u>

See notes to basic financial statements.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net position	\$ (207,417)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation expense	3,251
Loss on sale of land	38,988
(Increase) decrease in assets:	
Receivables	280,000
Grant receivables	1,500,000
Due from other governments	125,973
Prepaid	(46)
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	6,163
Due to other governments	(1,485,770)
Unearned interest income	(10,761)
Net cash provided by operating activities	<u>250,381</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net change in fixed assets	48,175
Deposits on land	<u>2,000</u>
Net cash provided by investing activities	<u>50,175</u>

NET INCREASE IN CASH	300,556
CASH - BEGINNING OF YEAR	<u>2,080,358</u>
CASH - END OF YEAR	<u>\$ 2,380,914</u>

See notes to basic financial statements.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

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.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

d. Fixed Assets – (Continued)

As of December 31, 2020, the following asset is depreciated using the straight-line method:

<u>Asset</u>	<u>Estimated Useful Life</u>
Parking lot improvements	30 Years

e. Income Taxes

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

f. 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.

g. Marketing

Marketing costs are expensed as incurred. Marketing expense for the year ended December 31, 2020, was \$1,050.

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, 2020 there were no bonds outstanding.

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.

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.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 4 – OTHER RECEIVABLES

As of December 31, 2020, other receivables consist of:

Description

Sales-type lease, Note 9	\$ 131,203
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NOTE 5 – DUE FROM OTHER GOVERNMENTS

As of December 31, 2020, there was a balance of \$-0- due from Montgomery County.

NOTE 6 – FIXED ASSETS (NET)

As of December 31, 2020, fixed assets (net) consist of:

Florida Park:

Land and development costs	\$ 1,023,876
Land - conservation and utility easements	13,763

Total	1,037,639
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Glen Park:

Land	919,857
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Total	919,857
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Land - to be transferred to other governments	9,283
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Land - parking lot	10
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Parking lot improvements	97,530
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Total	2,064,319
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Less accumulated depreciation	83,452
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Total Fixed Assets (Net)	\$ 1,980,867
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NOTE 7 – RESTRICTED CASH

Restricted assets consist of cash in the amount of \$892,560 as of December 31, 2020, that is held in escrow for NBT Bank property lease and USDA accounts.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 8 – SALES-TYPE LEASE – INCLUDED IN OTHER RECEIVABLES AND DEFERRED INFLOWS

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.

The Agency's net investment in this sales-type lease at December 31, 2020, is as follows:

Minimum lease payments receivable	\$ 154,697
Less unearned interest income	<u>23,494</u>
Net investment in sales-type lease	<u>\$ 131,203</u>

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

2021	\$ 30,000
2022	30,000
2023	30,000
2024	30,000
2025	11,203
Thereafter	<u>0</u>
Total	<u>\$ 131,203</u>

NOTE 9 – UNEARNED INTEREST INCOME

Unearned interest income at December 31, 2020, consists of:

Sales-type lease, Note 9	<u>\$ 23,494</u>
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NOTE 10 – LEASE RECEIVABLE

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 are:

2021	\$ 9,000
2022	9,000
2023	9,000
2024	9,000
2025	3,750

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 11 – DUE TO OTHER GOVERNMENTS

As of December 31, 2020, \$2,011,335 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 Glen Canal View Business Park starts 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.

The remaining balance of \$816,335, represents accounts payable owed to the County and the MC3 fund.

NOTE 12 – RESTRICTED NET POSITION

Restricted net position at December 31, 2020 consists of the following:

USDA revolving loan fund	<u>\$ 83,419</u>
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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, 2020, management is not aware of any claims or potential claims incurred. Therefore, no amounts for losses have been recorded as of December 31, 2020.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of issuance of the audit report. None were considered material to the issued financial statements.



**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, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 11, 2021.

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*.

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 CPA PC

Gloversville, New York
March 11, 2021

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 the 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, 2020.

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, 2020.

Signature: _____

Title: Chief Fiscal Officer