

**TOWN OF CHAMPLAIN
INDUSTRIAL DEVELOPMENT AGENCY**

**Independent Auditors' Report
Financial Statements and Supplementary Information**

December 31, 2007 and 2006

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

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Town of Champlain Industrial Development Agency

Management's Discussion and Analysis

For the Years Ended December 31, 2007 and 2006

The following Management's Discussion and Analysis (MD&A) of the Town of Champlain Industrial Development Agency's (the Agency's) financial position provides an overview of the Agency's financial activities for the years ended December 31, 2007 and 2006. The MD&A should be read in conjunction with the Agency's financial statements and related notes.

Financial Highlights

- The Agency's net assets decreased by \$5,151 as a result of this year's operations.
- The liabilities of the Agency exceeded its assets at December 31, 2007 by \$259,759.

Overview of the Financial Statements

The statements of net assets and the statements of activities report information about the Agency as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Agency's net assets and changes in them from one year to the next. The Agency's net assets, the difference between assets and liabilities, are one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Agency's fee income and fluctuation of the Agency's expenses, to assess the overall health of the Agency.

Notes to Financial Statements

The financial statements also include notes that explain the information in the financial statements. They are essential to a full understanding of the data provided in the financial statements.

Contacting the Agency's Administration

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact Adoré Kurtz, President, The Development Corp., 61 Area Development Drive, Plattsburgh, NY 12901.



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Town of Champlain Industrial Development Agency
Champlain, NY 12919:

We have audited the accompanying financial statements of the Town of Champlain Industrial Development Agency, a public benefit corporation, as of December 31, 2007 and 2006 and the related statements of activities and changes in net deficits and cash flows for the years then ended. These financial statements are the responsibility of the Town of Champlain Industrial Development Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Champlain Industrial Development Agency, as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on page 1 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 6 to these financial statements, the Organization has no permanent revenue source and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2007, on our consideration of the Town of Champlain Industrial Development Agency's internal control over financial reporting and 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 of the internal control over reporting or 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Town of Champlain Industrial Development Agency basic financial statements. The Supplemental Schedule of Projects Outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abbott, Frenyea, Russell
& Coffey, P. C.*

March 17, 2008

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheets

December 31, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents (note 4)	\$ <u>83</u>	<u>83</u>
	\$ <u>83</u>	<u>83</u>
 <u>Liabilities and Net Deficits</u>		
Current liabilities:		
Agency borrowings – short term portion (note 3)	\$ 133,525	133,525
Accounts payable - contractors (note 7)	56,808	56,808
Accrued interest payable (note 7)	57,567	57,567
Due to The Development Corporation	<u>11,942</u>	<u>6,791</u>
Total current liabilities	259,842	254,691
 Contingencies (notes 3, 6 and 7)		
Net deficits:		
Unrestricted	<u>(259,759)</u>	<u>(254,608)</u>
	\$ <u>83</u>	<u>83</u>

See accompanying notes and independent auditors' report.

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Statements of Activities and Change in Net Deficits

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues:		
Interest	\$ <u>-</u>	<u>-</u>
Total operating revenues	<u>-</u>	<u>-</u>
Expenses:		
Management and general services	<u>5,151</u>	<u>3,695</u>
Total expenses	<u>5,151</u>	<u>3,695</u>
Changes in net assets	(5,151)	(3,695)
Adjustment to net assets (note 5)	-	5,393
Net deficits, beginning of year	<u>(254,608)</u>	<u>(256,306)</u>
Net deficits, end of year	\$ <u>(259,759)</u>	<u>(254,608)</u>

See accompanying notes and independent auditors' report.

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net deficits	\$ (5,151)	(3,695)
Increase (decrease) in liabilities:		
Accounts payable	-	(3,110)
Due to The Development Corporation	<u>5,151</u>	<u>6,791</u>
Net cash used by operating activities	<u>-</u>	<u>(14)</u>
Net decrease in cash	-	(14)
Cash and cash equivalents, beginning of year	<u>83</u>	<u>97</u>
Cash and cash equivalents, end of year	\$ <u><u>83</u></u>	<u><u>83</u></u>

See accompanying notes and independent auditors' report.

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies:

Organization and Purpose - The Town of Champlain Industrial Development Agency (TOCIDA) was created in 1984 by the Town of Champlain, the Village of Rouses Point and the Village of Champlain, under the provisions of Chapter 963 of the 1984 Laws of New York State for the purpose of encouraging economic growth in the aforementioned areas. The TOCIDA is exempt from federal, state, and local income taxes. The TOCIDA, although established by the Town of Champlain, the Village of Rouses Point and the Village of Champlain, is a separate entity and operates independently of the Town and the Villages.

Basis of Accounting - The accounts of the TOCIDA are maintained on the accrual basis of accounting.

Property, Plant and Equipment - The TOCIDA has no property, plant or equipment because it shares office space and equipment with the Town of Champlain. The TOCIDA also does not record infrastructure in the accounting records.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Bad Debts - Management does not believe that a reserve for bad debts is necessary at this time.

(2) Industrial Revenue Bond and Note Transactions:

Certain industrial revenue bonds and notes issued by the TOCIDA are secured by property, which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the TOCIDA or the State. The TOCIDA does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders; funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the TOCIDA receives administration fees from the borrowing companies at the date of original financing. At December 31, 2007, the original issue value of bonds and notes outstanding was \$1,730,387 and the outstanding balance was \$853,646.

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(3) Agency Borrowings:

In addition to issuing financing obligations for commercial enterprises, the TOCIDA issued notes to finance construction of a road. The road was constructed to provide access to three lots, one of which was developed utilizing an industrial development revenue bond issued by the TOCIDA. Outstanding notes at December 31, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
New York State Urban Development Corporation loan, interest at 0% for 15 years, maturing June, 2004; current portion and repayment for the next year based on total loan proceeds of \$232,750 of which \$99,225 has not yet been received by the TOCIDA. Loan repayment does not begin until the entire loan proceeds are received	\$ <u>133,525</u>	<u>133,525</u>

In June 2004, the TOCIDA did not make the loan payment due to the New York State Urban Development Corporation in the amount of \$133,525. There are no plans for repayment and the consequences of non-payment are not known at this time.

(4) Investments:

The TOCIDA's investment policies are governed by State statutes. TOCIDA 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.

Deposits and investments at December 31, 2007 and 2006, totaling \$83, were entirely covered by FDIC insurance.

(5) Receivable/Payable to Related Parties:

In prior years, the TOCIDA shared its management and certain board members with the Town of Champlain Local Development Corporation (TOCLDC). As a result, certain transactions have occurred in the past between the two entities, which have given rise to the related party receivable/payable by the TOCIDA as of December 31, 2005.

At December 31, 2005, the TOCLDC owed the TOCIDA \$33,944 and the TOCIDA owed TOCLDC \$39,337 for administrative fees prior to 2002. On December 29, 2006 both parties agreed to a release of claims giving rise to a \$5,393 adjustment to net assets.

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(6) Going Concern:

In view of the possible negative outcome of contingencies discussed in note 7 to these financial statements, the ability of the TOCIDA to meet its obligations is dependent upon the success of its future operations. Management has discussed plans to promote the area more aggressively, but the reality of the situation is that the TOCIDA does not currently have an adequate source of revenue.

In 2005, the TOCIDA adopted a resolution authorizing the Chairperson to enter into a management agreement with The Development Corporation. The agreement was signed by both parties in November, 2005, and formal management activities began in 2006.

(7) Contingencies:

In February, 1993, the Village of Rouses Point notified the TOCIDA that it could not accept the Lincoln Boulevard road and infrastructure. This situation jeopardizes the remaining payments from the Urban Development Corporation, which are conditional upon the acceptance of the road by the Village.

In addition, a contractor who contracted with the TOCIDA to build the road has filed a suit against the TOCIDA to collect monies due for work performed in the amount of \$67,581 plus interest. By an order dated May 19, 1995, the Court granted Plaintiff's motion for summary judgment against the TOCIDA and TOCIDA for \$67,581, but severed and did not decide Plaintiff's claims for interest due. It is likely that a judgment for interest will be entered against the TOCIDA but the amount, if any, is unknown at this time. At December 31, 2007 and 2006, payments of \$0 had been issued to the contractor and the balance due of \$42,581 is included in accounts payable.

**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**

The Board of Trustees
Town of Champlain Industrial Development Agency
Champlain, NY 12919:

We have audited the financial statements of the Town of Champlain Industrial Development Agency (a public benefit corporation) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated March 17, 2008. 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

In planning and performing our audit, we considered the Town of Champlain Industrial Development Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Champlain Industrial Development Agency's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-1 and 97-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Champlain 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 instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards** which are described in the accompanying schedule of findings and questioned costs as item 97-1.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, others within the organization and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abbott, Frenya, Russell
& Coffey, P. C.*

March 17, 2008

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Prior Year Findings

December 31, 2007

97-1

Accounting System

Chapter 92 (Section 859) of 1989 Laws of New York requires IDAs to maintain books and records in such form as may be prescribed by the State Comptroller. The Agency does not maintain adequate accounting records due to the lack of employees and a volunteer administration.

97-2

Segregation of Duties

The Organization experienced inactivity for most of the year. There are no employees. Record keeping, asset custody, and authorization functions vest with third parties.

TOWN OF CHAMPLAIN INDUSTRIAL DEVELOPMENT AGENCY

Supplemental Schedule of Projects Outstanding

December 31, 2007

<u>Project Name/Owner*</u>	<u>Original Balance</u>	<u>Balance Outstanding 12/31/07</u>	<u>Date of Issue</u>	<u>Purpose of Issue</u>
World Warehouse and Distribution, Inc.	\$ 375,000	208,419	05/95	Services
Three J Fuels, Inc.	-	-	-	Transportation
Promenade Champlain	-	-	-	Real Estate
World Realty, Inc.	1,355,387	645,227	08/00	Real Estate
Zanazan USA, Inc.	-	-	-	Services
Bechard Enterprises, LLC, (NC Malt)	<u>-</u>	<u>-</u>	-	Wholesale Trade
	\$ <u>1,730,387</u>	<u>853,646</u>		

- * All of the above projects except World Warehouse and Distribution, Inc. are owned as of December 31, 2007 by:
 The Town of Champlain Industrial Development Agency
 61 Area Development Drive
 Plattsburgh, NY 12901

See accompanying independent auditors' report.

Schedule 1

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Federal Tax Status</u>	<u>Annual Real Property Tax Exemption</u>	<u>Payment in Lieu of Taxes Pilots</u>	<u>Number of Current Full Time Equivalent Employees</u>
8.75%	06/15	Taxable	31,796	31,796	0
-	-	Taxable	31,000	31,000	60
-	-	Taxable	47,911	44,275	0
6.5%	08/14	Taxable	56,365	56,365	44
-	-	Taxable	7,609	7,609	0
-	-	Taxable	3,674	3,674	10

