

**L**EWIS COUNTY DEVELOPMENT  
CORPORATION

---

*CONSOLIDATED FINANCIAL STATEMENTS*  
December 31, 2011

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**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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**THE BOARD OF DIRECTORS**  
**LEWIS COUNTY DEVELOPMENT CORPORATION**

We have audited the accompanying consolidated statement of financial position of the **LEWIS COUNTY DEVELOPMENT CORPORATION** (a nonprofit organization) as of December 31, 2011 and the related statement of activities and cash flows for the year then ended. The consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit 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 consolidated financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Lewis County Development Corporation as of December 31, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Bowers & Company*

Syracuse, New York  
June 26, 2012

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LEWIS COUNTY DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 288,111
Grant Receivable	20,440
Loan Receivable - Current Portion	16,570
Total Current Assets	<u>325,121</u>

FIXED ASSETS

Building	153,920
Total Fixed Assets	<u>153,920</u>

OTHER ASSETS

Loan Receivable - Long Term Portion -TMT BioFuels LLC	61,608
Total Other Assets	<u>61,608</u>

TOTAL ASSETS

\$ 540,649

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Due to Other Governments	\$ 5,793
Accrued Interest Payable	3,000
Total Current Liabilities	<u>8,793</u>

LONG-TERM LIABILITIES

Note Payable - Long Term - IDA	100,000
Deferred Grant Revenue	215,682
Total Long-Term Liabilities	<u>315,682</u>

UNRESTRICTED NET ASSETS

216,174

TOTAL LIABILITIES AND NET ASSETS

\$ 540,649

See accompanying notes to financial statements.

LEWIS COUNTY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

OPERATING REVENUES	
Contributions	\$ 43,636
Grants and Contracts Earned	<u>90,705</u>
Total Operating Revenues	<u>134,341</u>
OPERATING EXPENSES	
Office Supplies Expense	1,141
Advertising and Printing	196
Tax/Filing Fees	2,340
Professional Fees	13,589
Facilities and Equipment	17,352
SUNY Research Foundation	12,000
Development Corp Expenses	29,504
Lyonsdale Loan Fund Expenses	<u>6,100</u>
Total Operating Expenses	<u>82,222</u>
OTHER INCOME AND (EXPENSES)	
Interest Income	1,922
Rental Income	21,999
Administrative Income	6,100
Interest Expense	(3,000)
Amortization of Organization Costs	<u>(525)</u>
Total Other Income and Expenses - Net	<u>26,496</u>
INCREASE IN NET ASSETS	78,615
Net Assets - Beginning of Year	<u>137,559</u>
Net Assets - End of Year	<u>\$ 216,174</u>

See accompanying notes to financial statements.

**LEWIS COUNTY DEVELOPMENT CORPORATION**

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 78,615
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Change in Assets and Liabilities:	
(Decrease) Increase in Grants Receivable	(19,915)
(Decrease) Increase in Other Assets	16,039
(Decrease) Increase in Other Payables	<u>3,060</u>
Net Cash Provided By Operating Activities	<u>77,799</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Building Acquisition	<u>(153,920)</u>
Net Cash Used In Investing Activities	<u>(153,920)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Collected on Note Receivable	16,039
Proceeds from Note Payable - IDA	100,000
Capital Contribution	8,460
Decrease in Deferred Grant Revenue	<u>(70,265)</u>
Net Cash Provided By Financing Activities	<u>38,195</u>

Net Decrease in Cash	(37,926)
Cash, Beginning of Year	<u>326,037</u>
Cash, End of Year	<u>\$ 288,111</u>

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See accompanying notes to financial statements.

## LEWIS COUNTY DEVELOPMENT CORPORATION

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

#### NOTE 1 – NATURE OF OPERATIONS

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##### Principles of Consolidation

The consolidated financial statements include the accounts of the Lewis County Development Corporation ("LCDC") and its wholly owned subsidiary, Black Moose Development, LLC. All significant intercompany transactions and balances have been eliminated in consolidation. References hereinafter to "the Corporation" refer to the LCDC and its subsidiary.

##### Operations

The Lewis County Development Corporation (the "Corporation") was established in June, 2003 under the Not-for-Profit Corporation Law of the State of New York for the following purposes:

- To identify, research, fund, develop and manage projects, programs and business opportunities that will increase economic opportunities for Lewis County and its residents;
- To revitalize and enhance business areas in Lewis County;
- To stabilize and enhance the infrastructure of Lewis County to include the utilization of new technologies;
- To recruit enterprises and businesses to Lewis County;
- To provide education and research on the best practices for the economic development of Lewis County;
- To preserve the cultural, historical, and natural resources of Lewis County; and
- To expand economic development potential through collaboration and partnerships.

The LCDC is a duly organized local development corporation formed under the New York State Not-for-Profit Corporation Law.

Black Moose Development, LLC was established in 2011 for the purposes of owning property in the Village of Lyons Falls.

## LEWIS COUNTY DEVELOPMENT CORPORATION

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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##### **Basis of Presentation**

Financial statement presentation is in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Organizations*. Under (ASC) 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

##### **Cash and Cash Equivalents**

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

##### **Tax Status**

The Corporation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision has been made for federal or state taxes.

The Corporation has adopted the provisions of Financial Accounting Standards Board Codification, *Income Taxes*. In determining the recognition of uncertain tax positions, the Corporation applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities.

The corporation recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense. The Corporation analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2008, 2009, and 2010. Based on our analysis, the Corporation determined that there were no uncertain tax positions and that the Corporation should prevail upon examination by the taxing authorities.

##### **Loan Receivable**

Loan receivable is carried at their estimated collectible amounts.

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See accompanying notes to financial statements.

## LEWIS COUNTY DEVELOPMENT CORPORATION

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

##### **Revenue Recognition**

The Corporation's sources of operating revenue are from interest payments on loans issued, grant revenue, and contributions received. Revenues are recorded when earned.

##### **Subsequent Events**

The Corporation has evaluated events and transactions that occurred between December 31, 2011 and June 26, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

#### NOTE 3 – GRANT RECEIVABLE

The Corporation was awarded a grant from the Rural Business Enterprise through the USDA for \$99,000 on March 8, 2011 to be used for rehabilitation on the Croghan Dam. At December 31, 2011, a balance of \$20,440 was outstanding.

#### NOTE 4 – BUILDING

On January 10, 2011, Black Moose Development LLC purchased property with a building on its premises on Center Street in the Village of Lyons Falls. There was no depreciation recorded on the building in 2011 because a substantial portion of it has not been placed into service.

#### NOTE 5 – LOAN RECEIVABLE

On February 5, 2009, the Lewis County Development Corporation, acting as an agent of the Town of Lyonsdale, entered into a loan with TMT BioFuels, LLC with Community Development Block Grant funds as the source of revenue for the loan. The total amount of the loan is \$122,306 and is payable over five years at 3.25% at a monthly amount of \$1,459, beginning March 2009. If job creation goals are met, \$41,584 of the total loan will be forgiven. At December 31, 2011, the total amount receivable is \$78,178.

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See accompanying notes to financial statements.

## LEWIS COUNTY DEVELOPMENT CORPORATION

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

#### NOTE 6 – NOTE PAYABLE

Black Moose Development, LLC entered into a note and mortgage agreement with the County of Lewis Industrial Development Agency on May 10, 2011 in the amount of \$100,000. The mortgage was originally executed between Black Moose Development, LLC and Michael R. Johnson. On May 5, 2011, Mr. Johnson assigned the mortgage to the County of Lewis Industrial Development Agency. The mortgage created a lien on real estate located in the Village of Lyons Falls, Lewis County, New York. Black Moose Development, LLC will pay annual payments of interest only at 3.00% commencing May 10, 2012 through April 10, 2016. Beginning on May 10, 2016, Black Moose Development, LLC will pay monthly installments of principal and interest of approximately \$966 through the maturity date of April 10, 2026.

Principal maturities for the next five years at December 31, 2011 are as follows: 2012 - \$0; 2013 - \$0; 2014 - \$0; 2015 - \$0; 2016 - \$5,778; and thereafter - \$94,222.

#### NOTE 7 – DEFERRED REVENUE

On August 15, 2008, the Lewis County Development Corporation entered into an agreement with Lewis County. In exchange for services to be provided by the Corporation to the County, the County shall pay the Corporation a total sum of \$100,000. As of December 31, 2011 the amount due to the Corporation is \$40,617.

On July 30, 2009, the Corporation entered into an agreement with the County of Lewis. Through this agreement, the Corporation received \$100,000 of program income funds to create the Lewis County Shovel Ready Industrial Development Program. The agreement commenced March 1, 2009 and will continue through February 28, 2014. At December 31, 2011, the amount due to the Corporation is \$40,000.

The Corporation also entered into an agreement with the Town of Lyonsdale regarding a Community Development Block Grant. The original amount of the grant was \$257,371. At December 31, 2011, amount due to the Corporation is \$135,065.

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See accompanying notes to financial statements.

**LEWIS COUNTY DEVELOPMENT CORPORATION**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2011

**NOTE 8 – SUBSEQUENT EVENTS**

The Northern Border Regional Commission grant was awarded to the Corporation. The grant, worth \$95,320, will be used to rehabilitate a short railway spur that connects to the former Lyons Falls Pulp and Paper mill site. The Corporation is currently attempting to redevelop this mill site as a business park.

The Corporation was awarded \$330,000 by Empire State Development (“ESD”) in February 2012. These funds received will be used toward the redevelopment of a 9.4 acre Brownfield site located in Lyons Falls, Lewis County. The project began in March 2012 and is expected to be completed in March, 2013.

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See accompanying notes to financial statements.

**L**EWIS COUNTY DEVELOPMENT  
CORPORATION

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*MANAGEMENT COMMENTS*

June 26, 2012



**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

June 26, 2012

**TO THE BOARD OF MEMBERS OF  
THE LEWIS COUNTY DEVELOPMENT CORPORATION**

In planning and performing our audit of the financial statements of **THE LEWIS COUNTY DEVELOPMENT CORPORATION** as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Lewis County Development Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 26, 2012, on the financial statements of the Lewis County Development Corporation.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Corporation personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Bowers & Company*

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## **CURRENT YEAR COMMENTS**

### **Creation of Jobs per Loan Agreement**

Per the Lyonsdale loan agreement with TMT BioFuels, LLC in which the Lewis County Development Corporation is acting as the agent of the Town of Lyonsdale, it is required that the borrower make a reasonable effort to create six full-time equivalent positions at its facility by the fifth year of the agreement. At least 51% of these jobs created must be made available to low and moderate-income persons. On an annual basis on the anniversary date of the loan agreement, the Lewis County Development Corporation must supply the lender with a report of its job creation efforts. We recommend that the Corporation begin to produce reports on its efforts to create jobs each year as required by the Lyonsdale loan agreement.

### **Approval of Bank Reconciliations**

Throughout the bank reconciliation process, it is important to maintain adequate internal controls. These controls include having a person other than the person who reconciles the bank account receive the bank statement as well as having the bank reconciliation reviewed in a timely fashion. We recommend assigning an individual to receive and review the statement before it is reconciled by the bookkeeper. In addition, once the reconciliation is complete, we recommend that it be approved.

### **Recording Cash Receipts**

When cash receipts are received through the mail, they should be properly documented so that they can be traced. They should also be deposited promptly or else stored in a secure location. We recommend that an individual is responsible for recording cash receipts as they come in. Also, we recommend that the cash receipts are deposited as soon as they are recorded or that there is a locked drawer designated for holding the receipts until they can be deposited.

### **Check Signing**

When checks are written for over a certain amount, there should be more than one person signing the check if it is over a specified threshold. Also, the number of people that have the ability to write checks should be limited. We recommend that there be a primary signer who signs for all items under \$5,000. If the purchase exceeds this amount, there should be an additional person who is designated to sign in addition to the primary check signer.

### **Recording Grants and Programs**

With the various grants and programs awarded to the Lewis County Development Corporation, it is essential that there is a method in place to keep track of the funds received and expended. We recommend that the organization develop procedures for identifying and recording receipts and expenditures of program funds separately and for allocating to the appropriate general ledger accounts. The Quickbooks software has a feature for classing of programs and we recommend that this be done for each grant.



**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

June 26, 2012

To the Board of Members  
The Lewis County Development Corporation

We have audited the financial statements of the Lewis County Development Corporation for the year ended December 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2012. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lewis County Development Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

**Corrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 26, 2012.

### **Other Audit Findings or Issues**

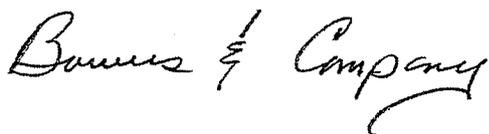
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. This information is intended solely for the use of the board of members and management of the Lewis County Development Corporation, and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

**Bowers & Company CPAs PLLC**

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned below the printed name of the firm.