

**JEFFERSON COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY  
=====**

**REPORT ON AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**SEPTEMBER 30, 2013**

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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SEPTEMBER 30, 2013

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## JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

### **Management's Discussion and Analysis**

As financial management of the Jefferson County Industrial Development Agency (JCIDA) (the "Agency"), we offer readers of these financial statements this narrative overview and analysis of these financial statements of the JCIDA for the fiscal year ended September 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented in conjunction with the financial statement as a whole.

#### **Overview of Financial Statements:**

This discussion and analysis is intended to serve as an introduction to JCIDA's financial statements, which are composed of the basic financial statements, the notes to the financial statements and other supplemental information as described below. The financial statements of the Agency report information about the Agency using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. Responsibility for the completeness and fairness of the information contained rests with the JCIDA's management.

The Jefferson County Local Development Corporation (JCLDC) was started to develop and cultivate a strong economic environment, which supports businesses and nurtures growth and new investment in the County. The Organization was started October 1, 2009. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since both Organizations shared the same Board.

The Jefferson County Civic Facility Development Corporation (JCCFDC) was started to perform essential governmental functions including activities associated with job creation, and promotion of community and economic activities within and around the County, and issue certain bonds on behalf of the County. The Organization was approved by the Jefferson County Board of Legislators on April 5, 2011. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since both Organizations share the same Board.

#### **Basic Financial Statements:**

The basic financial statements are designed to provide readers with a broad overview of the JCIDA's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. Net position increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities, will result in increased net position, which indicates an improved financial position.

The *statement of revenues, expenses, and changes in net position* presents information showing how the Agency's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *statement of cash flows* provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital, and non-capital financing activities.

#### **Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

#### **Supplemental Information:**

In addition to the basic financial statements and accompanying notes, this report presents Supplemental Schedules SS-1 through SS-6 on pages 30 - 35, which are presented for purposes of additional analysis only. Also presented is a Schedule of Expenditures of Federal Awards (page 40) which is presented for additional analysis as *required* by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

#### **Financial Analysis:**

##### ***Statement of Net Position***

JCIDA's assets consist primarily of cash and cash equivalents, loans, grants and capital lease receivables, and capital assets. The restricted cash and cash equivalent accounts consist of prepaid PILOT monies, and funds held for lending from the four loan programs. Descriptions of the loan programs are presented below:

- ◆ **Loans – Board Designated** - The JCLDC has established a loan program to make loans for economic development purposed to qualified applicants. This function was established to enhance JCLDC's ability to stimulate economic development and help spur job creation and retention in the area.
- ◆ **Revolving Loan Program** - this program generally provides loans up to \$250,000. In extenuating circumstances, larger loans have been approved by the Board. The interest rate is typically below market and the term ranges from 1 year to 20 years. Usually, the loan dollar amount caps at 40% of the total project costs.
- ◆ **Microenterprise Loan Program** - this program generally provides loans up to \$40,000. It is designed for smaller projects for businesses employing five or fewer people. Some or all of the employees need to be in the low to moderate-income levels as defined by the federal government.
- ◆ **City Loan Program** - this program is designed for projects located in the City of Watertown.

Loan program net receivables at September 30, 2013 were \$4,754,539.

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**Capital Assets**

Capital assets are comprised primarily of industrial park land and a building at City Center Plaza, Arsenal Street, Watertown, New York, which is leased to Stream International, Inc.

<b>Capital Assets</b>			
		<b>Years Ended September 30,</b>	
		<b>2012</b>	<b>2013</b>
Land and improvements	\$	606,137	\$345,673
Work in Process		-	88,229
Building		724,125	804,296
Equipment		104,728	116,720
Total Capital Assets		1,434,990	1,354,918
Less: Accumulated Depreciation:		643,514	767,284
Total Capital Assets, Net of Depreciation	\$	791,476	\$587,634

JCIDA's major liabilities consist of operating payables.

Net assets include capital assets, net of depreciation and related debt of \$587,634, unrestricted fund of \$5,083,147 and restricted loan funds as follows:

Revolving Loan Funds	\$4,661,344
Microenterprise Loan Funds	525,094
City Loan Funds	247,563
	\$5,434,001

<b>Jefferson County Industrial Development Agency</b>			
<b>Net Position</b>			
		<b>Years Ended September 30,</b>	
		<b>2012</b>	<b>2013</b>
<b>Assets</b>			
Cash and cash equivalents		\$ 5,075,658	\$ 5,513,345
Loans receivable		4,508,539	4,754,539
Capital lease receivable, current		943,468	79,646
Capital lease receivable, non current		80,015	-
Other receivables		373,368	527,103
Capital assets, net of depreciation		791,476	587,634
Other assets		31,400	35,934
<b>Total Assets</b>		<b>11,803,924</b>	<b>11,498,201</b>
<b>Deferred Outflows of Resources</b>			
		53,630	179,896
<b>Liabilities</b>			
Current liabilities		1,099,014	184,288
Long-term liabilities		290,236	209,131
<b>Total Liabilities</b>		<b>1,389,250</b>	<b>393,419</b>
<b>Deferred Inflows of Resources</b>			
		53,630	179,896
<b>Net Position</b>			
Net investment in capital assets		641,476	587,634
Restricted		5,629,994	5,434,001
Unrestricted		4,143,204	5,083,147
<b>Total Net Assets</b>		<b>\$ 10,414,674</b>	<b>\$ 11,104,782</b>

Refer to the Statement of Nets Assets in the basic financial statements (page 13) for more detail.

***Statement of Revenues, Expenses, and Changes in Nets Position***

The Agency's major revenue sources are fees generated through the issuance of PILOT agreements, underwriting and loan administrative fees, and interest earned on loan program receivables. Bond issue and administrative fees for the year were \$1,648,827. Interest charges earned on the program loan receivables during this fiscal period were \$170,143.

Operating expenses typically relate to the various projects the JCIDA. The largest operating expenses of the Agency are salaries and benefits and bad debt expense. Salary and benefit expenses for the year were \$787,539. Bad debt expense during the year was \$281,276.

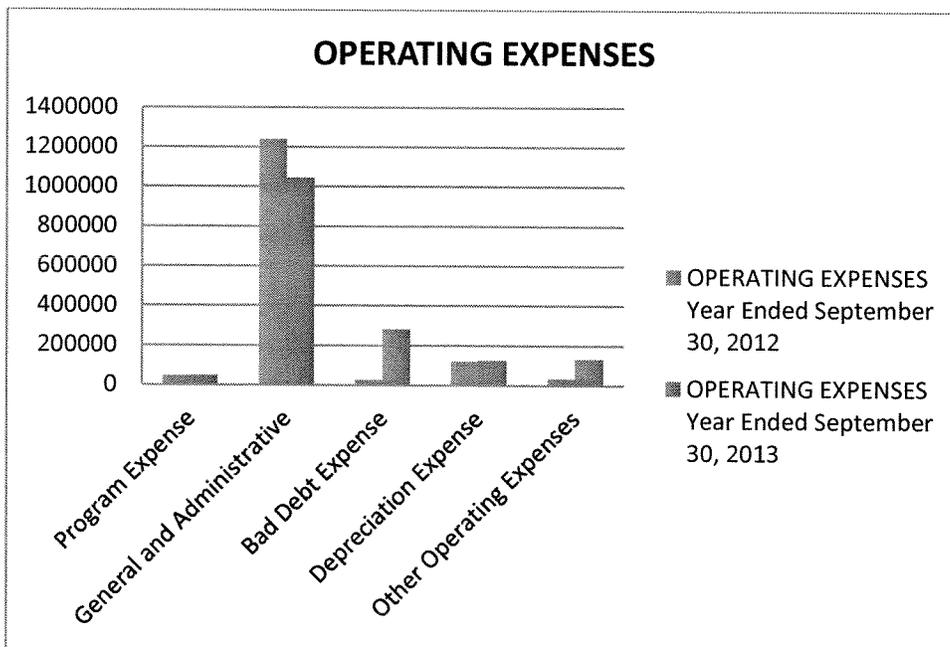
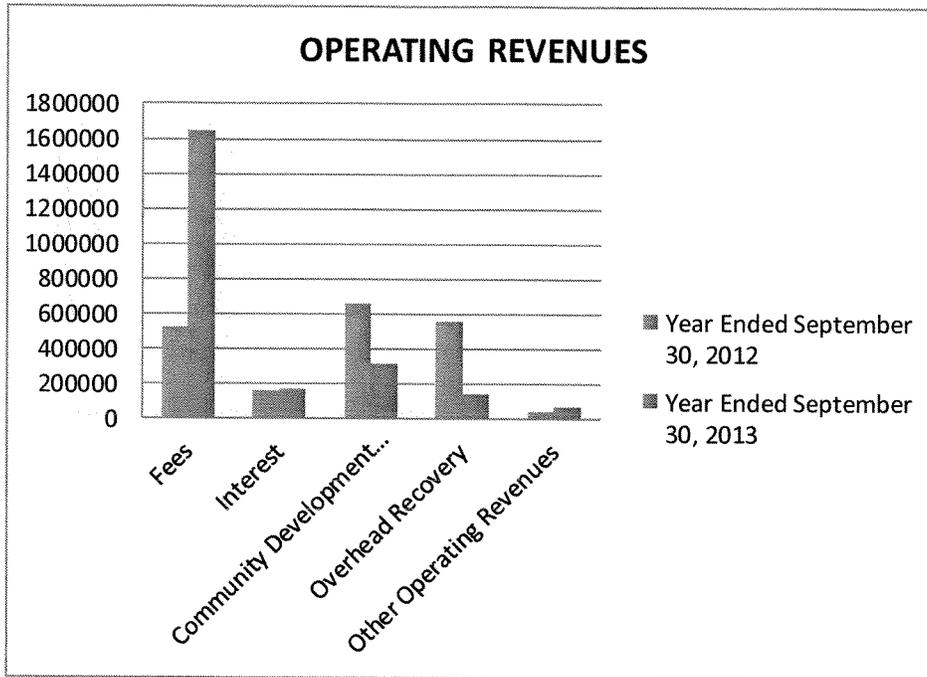
The major revenue and expense items for year ended September 30, 2013 relate to normal program operations.

The JCIDA's increase in net position for 2013 was \$690,108, which was higher than originally budgeted. Total Net Position at year-end was \$11,104,782. Refer to Budgetary Highlights on page 11 for more details.

**Jefferson County Industrial Development Agency  
Revenues, Expenses, and Changes in Net Position**

	<b>For Years Ended September 30</b>	
	<b>2012</b>	<b>2013</b>
<b>Operating Revenues</b>		
Bond issue and administrative fees	\$ 523,121	\$ 1,648,827
Interest on loans receivable	162,380	170,143
Grant income		
Stream PILOT		
Community Development Agreement	660,851	315,923
Other operating revenues	598,490	205,556
<b>Total Operating Revenue</b>	<b>1,944,842</b>	<b>2,340,449</b>
<b>Operating Expenses</b>		
Program expense	46,080	47,748
General and administrative	1,271,184	1,176,432
Bad debt expense/allowance adjustment	24,820	281,276
Depreciation	120,081	123,770
<b>Total Operating Expenses</b>	<b>1,462,165</b>	<b>1,629,226</b>
<b>Income from Operations</b>	<b>482,677</b>	<b>711,223</b>
<b>Nonoperating Revenues (expense)</b>	<b>(492,166)</b>	<b>(21,115)</b>
<b>Changes in Net Assets</b>	<b>(9,489)</b>	<b>690,108</b>
<b>Net Assets, beginning of year</b>	<b>9,756,641</b>	<b>10,414,674</b>
<b>Net Assets, end of year</b>	<b>\$ 9,747,152</b>	<b>\$ 11,104,782</b>

Refer to the Statement of Revenues, Expenses, and Changes in Net Assets in the basic financial statements (page 14) for more details.



## **Overview of the Year's Projects**

### ***Stream International, Inc***

The JCIDA negotiated with Stream International, Inc. ("Stream") a subsidiary of Solectron to bring an outgoing call center to Jefferson County. In August 2002, JCIDA along with state and local entities successfully recruited this company. The company has created over 800 new jobs. The incentive package was over \$16,000,000 in grants, tax credits and reduced energy costs.

During 2003, the JCIDA borrowed \$7,649,885 from M&T Bank in order to renovate the Woolworth building for Stream. This loan has been repaid through lease payments collected by the JCIDA from Stream. The loan and lease are both 10 years. This loan is secured by a first mortgage on the building and a \$1,413,381 irrevocable letter of credit from Stream. Further, Stream will guaranty the lease, and Watertown Local Development Corporation is a guarantor of the loan. The JCIDA board felt the risks associated with this deal was worth recruiting a 700-seat call center to a community that has double-digit unemployment. Stream is a reputable company, and the renovated building is state of the art. As of September 30, 2013, the loan was \$79,646. The loan was paid in full on October 1, 2013. As of September 30, 2013, JCIDA was in negotiations for a five year extension of the Lease and the Board had made a loan commitment of \$500,000 for capital improvements to the building, enabling Stream to expand its workforce up to 1000.

### ***Industrial Park***

The JCIDA was awarded a \$948,500 grant/loan from the Industrial Access Program by the State of New York. This money was used to build a road to expand the JCIDA's Industrial Park by 96 acres. The JCIDA will repay 40% of the grant or \$379,400. This will be due within 5 years after the project is complete and approved by New York State, and the funds will come from the sale of the land. The project was completed in the first quarter 2005; however, it has not been approved by New York State at year ended September 30, 2013. Included in long-term liabilities for the year ended September 30, 2013 is \$180,160 due to New York State for this project.

### ***Other Projects in Process***

In October of 2011, a PILOT agreement was made with Fort Drum Mountain Homes LLC for Phase III of the housing expansion project. JCIDA is to receive a PILOT fee of \$315,000 per year for five years; final payment is due 10//1/2015.

PILOT Agreements have been made for the following projects:

- ◆ Clayton Harbor Hotel, Clayton, NY; 95,000 Square Foot Hotel. Project Cost \$13,000,000.
- ◆ SunCap/FedEx Package Distribution Center, Watertown, NY; 63,000 square feet. Project Cost \$7,500,000.
- ◆ Lawler Realty/Millcreek Housing, 90 Residential Units, Watertown, NY; Project cost \$15,000,000.
- ◆ Morgan Watertown Townhomes, LLC. 394 units residential housing units, Project cost \$55,000,000.

- ◆ COR Watertown, LLC, 296 residential housing units; Project cost \$37,000,000.

In October, 2013, renovations began on the historic Woolworth Building in downtown Watertown, NY. 11,000 square feet of commercial space and 50 residential housing units will be developed; Project cost \$16,000,000. A PILOT Agreement will be provided for the project.

### Budgetary Highlights

For the year ended 9/30/13 the most significant impact on revenue is a decrease in Community Development Funds due to the end of Phase II and an increase in administrative fees due to significant PILOT agreements made during the year.

	Budget	Actual	Variation
<b>Revenue</b>			
Administrative Fees	\$ 20,000	\$ 49,047	\$ 29,047
PILOT Fees	100,000	910,106	810,106
Loan Program Fees	68,586	68,590	4
Grant Income	0	22,386	22,386
Land Sales	75,000	(37,863)	(112,863)
Interest Income	3,500	6,106	2,606
Late Payment Penalty	800	1,731	931
Stream Maintenance fee	11,500	38,874	27,374
Other Operating Revenue	800	21,224	20,423
Community Develop. Agreement	315,923	315,923	0
Interest from Loans Receivable	139,967	139,915	(52)
Stream Interest/Grants	42,000	17,771	(24,229)
Program Revenue/OH	830,849	782,506	(48,343)
<b>Total Revenue</b>	<b>1,608,925</b>	<b>2,336,316</b>	<b>727,391</b>
<b>Expenses</b>			
Salaries & Benefits	1,138,208	754,410	383,798
Office Expense	89,267	118,675	29,408
Consultants	5,000	48,571	43,571
Insurance Expense	14,300	15,781	1,481
Legal Expenses	101,000	69,727	(31,273)
Professional Fees	12,000	10,423	(1,577)
Stream Building Maintenance	3,000	38,152	35,152
Corporate Park	6,500	2,470	(4,030)
Program Expenses	69,386	425,126	355,740
City/County Parking Lot	20,000	16,806	(3,194)
Building Depreciation	51,736	123,770	72,034
Interest Expense	42,000	17,771	(24,229)
Bad Debt Expense	0	258,573	258,573
Other Grants	0	15,058	15,058
Miscellaneous Expenses	700	22,385	21,685
<b>Total Expense</b>	<b>1,553,097</b>	<b>1,937,698</b>	<b>(384,601)</b>
<b>Net Income</b>	<b>\$ 55,828</b>	<b>\$ 398,618</b>	<b>\$ (342,791)</b>

## **Economic Factors and Future Outlook**

During fiscal year 10/1/13 through 9/30/14, we anticipate participating in major improvements at the Watertown Airport, and further development of the Airport Industrial Park. At year end, a local Developer announced the building of a large warehouse in the Coffeen Street Industrial Park for occupancy by a major company. Several loans pending at year end will be closed during the first quarter of 2014.

We are currently working with a developer to construct 306 housing units, at an estimated cost of \$54,000,000. JCIDA has been asked to provide a sale/leaseback and a PILOT agreement for the project. Project approval by the various governmental agencies is pending.

At YE 9/30/2013, we have made a deposit on a piece of property adjacent to Watertown International Airport. On October 17, 2013, we finalized the purchase and added 43.87 acres to the site of a proposed Industrial Park; total acreage owned is approximately 73.80

We will also be devoting significant resources to addressing shortages in work force, day care, and renewable energy in the area. All of our efforts in these areas will be in cooperation with other local agencies.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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COMBINED STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

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**ASSETS:**

*Current Assets:*

Cash and cash equivalents	\$ 3,718,017
Loans receivable - current portion (Note 3)	26,797
Other receivables	527,103
Prepaid expense	5,873
Capital lease receivable - current portion (Note 13)	79,646
Notes receivable - current portion (Note 4)	1,090
Total Current Assets	<u>4,358,526</u>

*Restricted Assets:*

Cash and cash equivalents (Note 8)	1,795,328
Loans receivable - net of allowance of \$73,355 (Note 3)	3,642,060
Total Restricted Assets	<u>5,437,388</u>

*Noncurrent Assets:*

Loans receivable - less current portion (Note 3)	1,085,682
Notes receivable - less current portion (Note 4)	28,971
Capital assets (Note 10)	587,634
Total Noncurrent Assets	<u>1,702,287</u>

Total Assets 11,498,201

**DEFERRED OUTFLOWS OF RESOURCES:**

PILOT monies receivable	<u>179,896</u>
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The accompanying notes are an integral part of these financial statements.

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**LIABILITIES:***Current Liabilities:*

Accounts payable	\$ 61,663
Due to grantor	34,002
Note payable - current portion (Note 4)	1,090
Long-term debt - current portion (Note 12)	79,646
Other current liabilities	4,500
Total Current Liabilities	<u>180,901</u>

*Current Liabilities Payable From Restricted Assets:*

Accounts payable	276
Interest payable - HUD	3,111
Total Current Liabilities Payable From Restricted Assets	<u>3,387</u>

*Noncurrent Liabilities:*

Note payable - less current portion (Note 4)	28,971
Long-term debt - less current portion (Note 12)	180,160
Total Noncurrent Liabilities	<u>209,131</u>

Total Liabilities	<u>393,419</u>
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**DEFERRED INFLOWS OF RESOURCES:**

Due to other governments (Note 9)	<u>179,896</u>
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**NET POSITION:**

Net investment in capital assets	587,634
Restricted for:	
Other legal restrictions (Note 15)	5,434,001
Unrestricted	<u>5,083,147</u>
Total Net Position	<u>\$ 11,104,782</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR YEAR ENDED SEPTEMBER 30, 2013

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**REVENUES:***Operating Revenues:*

Bond issue and administrative fees	\$ 1,648,827
Interest from loans receivable	170,143
Community Development Agreement	315,923
Overhead recovery	137,809
Lease income	5,920
Other operating revenues	<u>61,827</u>
 Total Operating Revenues	 <u>2,340,449</u>

**EXPENSES:***Operating Expenses:*

Program expense	47,748
Bad debt expense/allowance adjustment	281,276
Salary expense	787,539
Legal fees	69,698
Office expense	108,928
Professional fees	58,995
Insurance expense	18,975
Depreciation expense	123,770
Other operating expenses	<u>132,297</u>
 Total Operating Expenses	 <u>1,629,226</u>

Operating Income 711,223

**NON-OPERATING REVENUES (EXPENSES):**

Interest income	9,420
Grant income	22,386
Grant expended	(15,058)
Capital lease interest	17,771
Loss on sale of capital assets	(37,863)
Interest expense	<u>(17,771)</u>
Total Non-Operating Revenues (Expenses)	<u>(21,115)</u>

Increase in Net Position 690,108

Net Position-beginning of year 10,414,674

Net Position-end of year \$ 11,104,782

The accompanying notes are an integral part of these financial statements.

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JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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COMBINED STATEMENT OF CASH FLOWS  
FOR YEAR ENDED SEPTEMBER 30, 2013

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CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from bond issue and administrative fees	\$ 1,414,033
Cash received from interest on loans receivable	170,143
Cash received from late payment penalties	1,731
Cash received from loans	799,443
Cash received from lease income	5,920
Cash received from Community Development Agreement	315,923
Cash received from maintenance reserve	29,131
Cash received from interest on revolving loan funds	2,511
Cash received from other operating sources	21,222
Cash received for overhead recovery	143,630
Cash payments to HUD for interest on revolving loan funds	(4,252)
Cash payments for salary	(787,539)
Cash payments for supplies of goods and services	(285,810)
Issuance of new loans	(1,090,867)
Cash payments for projects	(47,748)
Net cash provided by operating activities	<u>687,471</u>

CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES

Grants paid in excess of grants received	<u>(65,559)</u>
Net cash used by noncapital financing activities	<u>(65,559)</u>

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES

Additions to capital assets	(290,992)
Sale of capital assets	<u>333,201</u>
Net cash provided by capital and related financing activities	<u>\$ 42,209</u>

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<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash received from interest	\$ 9,420
Net cash provided by investing activities	<u>9,420</u>
Net increase in cash	673,541
Cash and cash equivalents, beginning of year	4,839,804
Cash and cash equivalents, end of year	<u>\$ 5,513,345</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>	
Cash and cash equivalents	\$ 3,718,017
Restricted cash and cash equivalents	1,795,328
Total cash and cash equivalents	<u>\$ 5,513,345</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 711,223
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	123,770
Bad debt expense/allowance adjustment	281,276
(Increase) decrease in:	
Cash with fiscal agent	235,854
Loans receivable	(527,276)
Other receivables	(139,016)
Prepaid expense	(5,530)
Increase (decrease) in:	
Accounts payable	44,603
Interest payable	(1,743)
Other liabilities	(35,690)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 687,471</u>
Noncash capital and financing activities:	
Decrease of capital lease receivable and related long-term debt	<u>\$943,837</u>

The accompanying notes are an integral part of these financial statements.

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JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**Note 1 – Organization and Summary of Significant Accounting Policies:**

***Organization Description***

The Jefferson County Industrial Development Agency (**Agency**) is a public benefit corporation, which was created by Article 18A of the General Municipal Law to actively promote, attract, encourage and develop economically sound commerce and industry for the purpose of preventing unemployment and economic deterioration in Jefferson County. The Agency is exempt from federal, state and local income taxes. The Agency, although established by Jefferson County, is a separate entity and operates independently of Jefferson County. The U.S. Department of Housing and Urban Development (**HUD**) is the cognizant agency.

The Jefferson County Local Development Corporation (JCLDC) was started to develop and cultivate a strong economic environment, which supports businesses and nurtures growth and new investment in the County. The Organization was started October 1, 2009. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since both Organizations share the same Board.

The Jefferson County Civic Facility Development Corporation (JCCFDC) was started to perform essential governmental functions including activities associated with job creation, and promotion of community and economic activities within and around the County, and issue certain bonds on behalf of the County. The Organization was approved by the Jefferson County Board of Legislators on April 5, 2011. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since both Organizations share the same Board.

As defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Components Units*, the Agency is financially accountable to Jefferson County and is considered a component unit of Jefferson County. Jefferson County Local Development Corporation and Jefferson County Civic Facility Corporation are financially accountable to Jefferson County Industrial Development Agency and are considered component units of Jefferson County Industrial Development Agency.

***New Accounting Pronouncements***

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, required renaming the residual measure from net assets to net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, requires governments to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB 63. The Statement also revises the

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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major fund calculation so that assets are combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources.

The Agency implemented the new requirements for the fiscal year 2012-13 financial statements.

***Measurement Focus, Basis of Accounting and Financial Statements Presentation***

The Agency's combined financial statements are reported using the economic resources measurement's focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. In accordance with GASB Statement No. 62, the Agency's proprietary funds follow all FASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The Agency also applies all FASB statements issued after November 30, 1989 that are developed for business enterprises, unless those statements conflict with or contradict a GASB statement.

The Agency's basic financial statements are presented in conformance with the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments".

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

*Invested in capital assets, net of related debt*—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position components as the unspent proceeds.

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NOTES TO FINANCIAL STATEMENTS  
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*Restricted*—This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted*—This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

***Capital Assets and Depreciation***

Capital assets acquired by the Agency are recorded at cost. For financial reporting purposes, the cost of capital assets is depreciated over the estimated useful lives as follows:

	<b>Years</b>
Equipment	5 to 10
Building	10

Repairs and maintenance are charged to expense, as incurred. Expenditures, which substantially increase the useful lives of the respective assets, are capitalized and depreciated over their useful lives. When an asset is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

***Reporting Entity***

As defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Components Units*, the Agency is financially accountable to Jefferson County and is considered a component unit of Jefferson County. Jefferson County Local Development Corporation and Jefferson County Civic Facility Corporation are financially accountable to Jefferson County Industrial Development Agency and are considered component units of Jefferson County Industrial Development Agency.

***Cash and Cash Equivalents***

For the purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Revenues and Expenses***

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Agency’s principal ongoing operations. The principal operating revenues of the Agency are fees and interest revenue for administering bond issuances and PILOT’s and loan services. Operating expenses include the costs associated with the loan services,

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administrative expenses and depreciation on capital assets. Expenses that are for the development of economic activities are included in program expenses under operating expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

***Deferred Outflows/inflows of Resources***

In addition to assets, the *Statement of Net Position* includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency had one item that qualifies for reporting in this category. It is the PILOT monies receivable.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The Agency had one item that qualifies for reporting in this category. It is the Due to Other Governments which represent PILOT payments due.

***Tax-Exempt Status***

The Agency is exempt from taxation under the Internal Revenue Code of 1986. All required filings are handled through the County.

***Date of Management's Review***

Management has evaluated subsequent events through December 4, 2013, the date which the financial statements were available to be issued.

**Note 2 – Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks:**

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's investments policies are included in their *Investment Policy Guidelines and Procedures*. The Agency's monies must be deposited in banks or trust companies located within the State or obligations of the U.S. Treasury and U.S. Agencies. Collateral is required for demand and time deposits and certificates of deposit not covered by 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. The Agency's aggregate bank balances (disclosed in the financial statements) included balances not covered by depository insurance at year-end, are collateralized as follows:

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Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name		4,318,507

Deposits at year-end were fully collateralized.

The Agency does not typically purchase investments, and is not exposed to any material interest rate risk. The Agency does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**Note 3 – Loans Receivable:**

At September 30, 2013 loans receivable consisted of the following:

<b>Unrestricted:</b>		
Loans - Board Designated	\$	1,112,479
<b>Restricted:</b>		
Revolving Loan Program		3,148,662
Microenterprise Loan Program		449,241
City Loan Program		44,157
Total		\$ 4,754,539

***Loans – Board Designated***

The JCLDC has established a loan program to make loans for economic development purposed to qualified applicants. This function was established to enhance JCLDC's ability to stimulate economic development and help spur job creation and retention in the area. The allowance of \$22,703 at September 30, 2013 was based on the Agency's best estimate.

***Revolving Loan Program***

The Agency has established a revolving loan program offering low interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest. The Agency has established a reserve for bad loans in order to provide a more fair presentation of its loans receivable. The allowance of \$64,255 at September 30, 2013 was based on the Agency's best estimate.

***Microenterprise Loan Program***

The microenterprise loan program was established to provide small businesses with loans to stimulate small business activity through start-up and expansion projects which create and retain job opportunities principally for low to moderate income residents. The Agency has established a reserve for bad loans in order to provide a more fair presentation of its loans receivable. The allowance of \$9,100 for September 30, 2013 was based on the Agency's best estimate.

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**City Loan Program**

The City Loan Program was established to provide working capital for Knowlton Technologies LLC and the subsequent creation of a revolving loan fund, which will be used to provide loans for the support of economic development in the City of Watertown. At September 30, 2013, there has been no reserve for bad loans established. The following is a schedule of the outstanding loans receivable at September 30, 2013:

<b>Loans - Board Designated</b>	
Current Applications #1	\$ 178,006
Current Applications #1	67,053
Florelle Tissue	250,000
LCO Destiny	300,000
The Lodge at Ives Hill	160,401
WICLDC	179,722
Total Loans - Board Designated	<u>1,135,182</u>
Less - Allowance for Bad Loans	(22,703)
Less: Current portion	<u>(26,797)</u>
Loans - Board Designated - non-current	<u>1,085,682</u>
<b>Revolving Loan Program:</b>	
Alteri's Bakery, Inc.	\$ 41,706
Benchmark Family Services	231,103
Days Inn	116,126
HiLite Markings	250,000
Florelle Tissue Corp.	350,000
Knowlton Specialty Papers	126,170
LCO Destiny LLC	176,758
Meadowbrook Terrace	250,000
Metro Paper Industries	114,094
MLR, LLC	82,653
MLR, LLC	198,632
Morris Hatchery	106,270
North Country Children's Clinic	125,481
North Country Children's Clinic	58,587
North American Tapes, LLC	194,106
North American Tapes, LLC	123,356
Riverview Plaza, LLC	57,130
Roth Industries, Inc.	188,058
Roth Industries, Inc.	27,538
Wright Bros. LLC	235,789
YMCA	159,360
Total	<u>3,212,917</u>
Less - Allowance for Bad Loans	<u>(64,255)</u>
Total Revolving Loans Receivable	<u><u>\$ 3,148,662</u></u>

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**Microenterprise Loan Program:**

Better Health Chiropractic	40,000
BICC Brothers of NNY	34,617
Jamie Bliven d/b/a Duck Stop	17,045
Louise Psarras-Bly	14,997
Café Mira	24,012
Jay Canzonier	26,600
DePauville Mini Mart	16,964
Allen Gonya	4,824
The Hops Spot	16,030
Imprints of NNY	8,182
Jessies Pet Spa	1,575
Jill Vanocker	12,500
Michael Kinnie	12,500
Lyric Enterprises	25,448
Lyric Enterprises	2,510
Daniel McAloon	23,269
RC Spot LLC	50,000
ROBO Spray	9,089
Sackets Harbor Trading Co.	20,412
Staie On The Seaway	17,003
SUP Sackets Harbor	12,150
Taste of Design	32,493
Triple B&A, LLC	10,647
Total	<u>458,341</u>
Less - Allowance for Bad Loans	<u>(9,100)</u>
Total Microenterprise Loans Receivable	<u><u>\$ 449,241</u></u>

**City Loan Program:**

Knowlton Technologies LLC	<u><u>\$ 44,157</u></u>
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**Note 4 – Notes Receivable/Unearned Revenue:**

Notes receivable/Unearned revenue consisted of the following at September 30, 2013:

Note due from Kenneth Rogers - monthly payments of \$314.91, including interest at 9%, due 12/1/27	\$ 30,061
Less - current portion	<u>(1,090)</u>
Non-current portion	<u>\$ 28,971</u>

This note was written-off in prior year. Income will be recognized as payments are received on this note.

**Note 5 – Land:**

The Agency has purchased land in order to establish an Industrial Park to encourage new businesses to settle in Jefferson County. Land was sold to various businesses throughout the years, and at September 30, 2013 the Agency holds approximately 21 acres at an approximate cost of \$13,003 per acre. The Agency purchased additional land during the year ended September 30, 2007 to establish another Industrial Park. The additional land is approximately 34 acres at a cost of \$739 per acre. In 2013, the Agency has made a deposit on airport land of \$110,600. The closing on the sale was held in October. See Capital Assets – Note 10 for details.

**Note 6 – Commitments and Contingencies:**

***PILOT Program***

The Agency is also a party to agreements allowing a payment in lieu of tax (**PILOT**) for certain properties. The Agency invoices and collects these taxes and then issues its own check to pay the taxing jurisdiction. This activity is not reflected in the financial statements.

***Industrial Revenue Bond and Note Transactions***

Certain industrial development revenue bonds and notes issued by the Agency are secured by property, which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State.

The Agency does not record an asset or liability resulting from completed bond and note issuances in its accounts since the Agency's primary function is to arrange the financing relationship between the borrowers and the bondholders and funds arising from these arrangements 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 immediately upon issuance of bonds and notes.

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NOTES TO FINANCIAL STATEMENTS  
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***Loan Commitments***

At September 30, 2013, the Agency has commitments for loans to AYDM, Inc for \$275,000 and Stream New York, Inc for \$500,000. These loans have not been completed as of September 30, 2013.

***Lawsuits***

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency's Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency. Additionally, Agency management believes that the Agency's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

***Federal and State Grant Programs***

The Agency participates in Federal and State grant programs. These programs are audited by the Agency's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowances are expected as a result of these audits, however, these programs are subject to further examination by the grantors. Expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The Agency expects such amounts, if any, to be immaterial.

As of September 30, 2013, in the opinion of the Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

**Note 7 – Related Party Agreements/Transactions:**

In accordance with various agreements, the Agency has related party transactions detailed as follows as of September 30, 2013:

An agreement executed yearly between the Agency and the Watertown Industrial Center Local Development Corporation (**WICLDC**) exists where WICLDC agrees to pay the Agency for administrative support. The payment to the Agency was \$16,666 for the year ended September 30, 2013. The agreement was terminated on January 31, 2013.

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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**Note 8 – Restricted Cash and Cash Equivalents:**

Restricted cash, which is invested in interest-bearing accounts, consisted of the following at September 30, 2013:

Revolving Loan Fund	\$ 1,516,027
Microenterprise Loan Fund	75,885
City Loan Fund	<u>203,416</u>
	<u>\$ 1,795,328</u>

**Note 9 – Due to Other Governments:**

Due to other governments are PILOT amounts due to the taxing jurisdictions. Future PILOT payments for the year ended September 30, 2013 are \$179,896.

**Note 10 – Capital Assets:**

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land and improvements	\$ 606,137	\$ 110,600	\$ (371,064)	\$ 345,673
Work in Process	-	88,229	-	88,229
Depreciable Assets:				
Equipment	104,728	11,992	-	116,720
Building	<u>724,125</u>	<u>80,171</u>	<u>-</u>	<u>804,296</u>
Total Capital Assets	1,434,990	290,992	(371,064)	1,354,918
Less - accumulated depreciation	<u>643,514</u>	<u>123,770</u>	<u>-</u>	<u>767,284</u>
Total Capital Assets - Net of Depreciation	<u>\$ 791,476</u>	<u>\$ 167,222</u>	<u>\$ (371,064)</u>	<u>\$ 587,634</u>

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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**Note 11 – Prior Period Adjustment:**

To support the formation of JCLDC, in prior years the Agency has made capital contributions totaling \$3,456,912. This amount has been reported as a receivable by the Agency and a payable by JCLDC. Management has concluded that it is not the intent of either entity for these contributions to be considered a loan. As such, the loan has been eliminated. The effect of the restatement has reduced the net position of the Agency and increased the net position of JCLDC by \$3,456,912.

**Note 12 – Long-Term Debt:**

The following notes payable were in effect at September 30, 2013:

M&T Bank - secured by \$511,741 standby letter-of-credit, first lien on Stream building and contents, guaranty of the Watertown Local Development Corporation - due in monthly installments of \$80,121 including interest at 2.9326% at September 30, 2013 - loan has 1 month remaining with a variable interest rate	\$ 79,646
New York State Department of Transportation - grant repayment of 40% of Industrial Access project - payments to start one year from project completion - project is not completed at September 30, 2013	<u>180,160</u>
	259,806
Less - Current Portion	<u>(79,646)</u>
Long-Term Portion	<u><u>\$ 180,160</u></u>

The future principal payments on the notes payable as of September 30, 2013 are summarized as follows:

Year Ending September 30	Principal	Interest	Total
2014	\$ 79,646	\$ 195	\$ 79,841
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	<u>180,160</u>	<u>-</u>	<u>180,160</u>
	<u><u>\$ 259,806</u></u>	<u><u>\$ 195</u></u>	<u><u>\$ 260,001</u></u>

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NOTES TO FINANCIAL STATEMENTS  
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Summary of changes in long-term debt:

	10/1/12	Additions	Reductions	9/30/13
Notes payable	<u>\$ 1,203,643</u>	<u>\$ -</u>	<u>\$ (943,837)</u>	<u>\$ 259,806</u>

**Note 13 – Capital Lease Receivable:**

The Agency has entered into a lease agreement with Stream New York, Inc. to lease a facility and to advance working capital to Stream New York, Inc. A loan from M&T Bank was used to finance the project (see Note 12). Principal payments will be based on a ten year amortization period and interest will be variable. Monthly lease payments will be computed to equal the monthly debt service requirements for the M&T loan. Stream New York, Inc. has the option to purchase the facility at any time for the remaining balance of the related loan. The lease is recorded as a capital lease because Stream New York, Inc. is the owner of the property for tax purposes and will own the facility outright at the completion of the lease.

Future minimum capital lease payments to be received from Stream New York, Inc. are as follows:

<b>Year Ending</b>	
<b>September 30</b>	
2014	79,646
	\$ 79,646

**Note 14 – Leases:**

The Agency has assumed the lease for office space with Watertown Industrial Center Local Development Corporation, effective October 1, 2011. The lease calls for monthly base rent payments of \$377.98 a month and additional rent payments representing the Agency's share of real estate taxes, heating costs, electricity, water and maintenance. The Agency's rent expense for the year ended September 30, 2013 was \$ 14,179.

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NOTES TO FINANCIAL STATEMENTS  
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**Note 15 – Restricted Assets:**

**Loan Programs:**

The Revolving loan program, the Microenterprise loan program, and the City loan program were established with grants from U.S. Department of Housing and Urban Development. The restricted assets are used to improve economic development in Jefferson County.

**Note 16 – Risk Management:**

The Agency has the responsibility for making and carrying out decisions that will minimize the adverse effects of accidental losses that involve the Agency's assets. Accordingly, commercial insurance coverage is obtained to include general liability, property and casualty and certain other risks. The amounts of settlements during each of the past three fiscal years have not exceeded insurance coverage.

**Note 17 – Pension Plan:**

The Agency participated in the New York State and Local Employees' Retirement System (**System**) through the County of Jefferson. This is a cost-sharing multiple public employer retirement system. Obligations of employers and employee to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (**NYSRSSL**). The System offers a wide range of plans and benefits, which are related to years of service and final average years of service and final average salary. Death and disability benefits generally vest after ten years of accredited service.

The NYSRSSL provides that all participating employees in the System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the NYS and Local Retirement System, Gov. AE Smith State Office Building, Albany, NY 12244. The System is noncontributory except for employees who joined the Employees' Retirement System after July 27, 1976 who contribute 3% to 3.5% of their salary. Employees in the System more than ten years are no longer required to contribute. Employee contributions are deducted from employees' paychecks and are sent by the employer to the System. Nearly all employees are eligible for membership. All employees employed in a full-time position, who commenced employment after June 30, 1976, are mandatory members.

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The Agency is required to contribute at an actuarially determined rate. The Agency's contribution made to the System was equal to 100% of the contributions required for the year. The required and actual contributions for the current year and two preceding years were:

	<b>ERS</b>
2013	\$ 125,139
2012	106,877
2011	68,960

Effective October 1, 2013, the Agency will no longer participate in the New York State and Local Employees' Retirement System. There is currently no retirement plan in place for the Agency.

**SUPPLEMENTAL SCHEDULES  
AND ADDITIONAL INFORMATION**

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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COMBINING STATEMENT OF FUND NET POSITION  
JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY AND COMPONENT UNITS  
SEPTEMBER 30, 2013

<b>ASSETS:</b>	<b>JCIDA</b>	<b>Component Units</b>	<b>Eliminations</b>	<b>TOTAL</b>
<i>Current Assets:</i>				
Cash and cash equivalents *	\$ 1,702,730	\$ 2,015,287	\$ -	\$ 3,718,017
Loans receivable-net of allowance of \$22,703 (Note 3)	-	-	-	-
Other receivables	418,476	1,112,479	-	1,112,479
Prepaid expense	5,452	421	-	5,873
Capital lease receivable - current portion (Note 13)	79,646	-	-	79,646
Notes receivable - current portion (Note 4)	1,090	-	-	1,090
<b>Total Current Assets</b>	<b>2,207,394</b>	<b>3,236,814</b>	<b>-</b>	<b>5,444,208</b>
<i>Restricted Assets:</i>				
Cash and cash equivalents (Note 8)	1,795,328	-	-	1,795,328
Loans receivable-net of allowance of \$73,337 (Note 3)	3,642,060	-	-	3,642,060
<b>Total Restricted Assets</b>	<b>5,437,388</b>	<b>-</b>	<b>-</b>	<b>5,437,388</b>
<i>Noncurrent Assets:</i>				
Notes receivable - less current portion (Note 4)	28,971	-	-	28,971
Capital assets (Note 10)	587,634	-	-	587,634
<b>Total Noncurrent Assets</b>	<b>616,605</b>	<b>-</b>	<b>-</b>	<b>616,605</b>
<b>Total Assets</b>	<b>8,261,387</b>	<b>3,236,814</b>	<b>-</b>	<b>11,498,201</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
PILOT monies receivable	179,896	-	-	179,896
<b>LIABILITIES:</b>				
<i>Current Liabilities:</i>				
Accounts payable	51,483	10,456	-	61,939
Due to Grantor	34,002	-	-	34,002
Note payable - current portion (Note 4)	1,090	-	-	1,090
Long term debt - current portion (Note 12)	79,646	-	-	79,646
Other current liabilities	4,500	-	-	4,500
<b>Total Current Liabilities</b>	<b>170,721</b>	<b>10,456</b>	<b>-</b>	<b>181,177</b>
<i>Current Liabilities Payable From Restricted Assets:</i>				
Interest payable - HUD	3,111	-	-	3,111
<b>Total Current Liabilities Payable From     Restricted Assets</b>	<b>3,111</b>	<b>-</b>	<b>-</b>	<b>3,111</b>
<i>Noncurrent Liabilities:</i>				
Note payable - less current portion (Note 4)	28,971	-	-	28,971
Long-term debt - less current portion (Note 12)	180,160	-	-	180,160
<b>Total Noncurrent Liabilities</b>	<b>209,131</b>	<b>-</b>	<b>-</b>	<b>209,131</b>
<b>Total Liabilities</b>	<b>382,963</b>	<b>10,456</b>	<b>-</b>	<b>393,419</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Due to other governments (Note 9)	179,896	-	-	179,896
<b>NET POSITION:</b>				
Net investment in capital assets	587,634	-	-	587,634
Restricted for:				
Revolving loan program	4,661,344	-	-	4,661,344
Microenterprise loan program	525,094	-	-	525,094
City loan program	247,563	-	-	247,563
<b>Total restricted net position</b>	<b>5,434,001</b>	<b>-</b>	<b>-</b>	<b>5,434,001</b>
Unrestricted	1,856,789	3,226,358	-	5,083,147
<b>Total Net Position</b>	<b>\$ 7,878,424</b>	<b>\$ 3,226,358</b>	<b>\$ -</b>	<b>\$ 11,104,782</b>

See paragraph on supplementary schedules included in auditor's report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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COMBINING STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY AND COMPONENT UNITS  
FOR YEAR ENDED SEPTEMBER 30, 2013

	JCIDA	Component Units	Eliminations	Total
<b>Revenues:</b>				
<i>Operating Revenues:</i>				
Bond issue and administrative fees*	\$ 1,399,742	\$ 317,675	\$ -	\$ 1,717,417 *
Interest from loans receivable	139,915	30,228	-	170,143
Community Development Agreement	315,923	-	-	315,923
Overhead recovery*	404,589	-	-	404,589 *
Lease income	5,920	-	-	5,920
Other operating revenues	61,827	-	-	61,827
Total Operating Revenues	<u>2,327,916</u>	<u>347,903</u>	<u>-</u>	<u>2,675,819 *</u>
<b>Expenses:</b>				
<i>Operating Expenses:</i>				
Program expense *	116,338	-	-	116,338 *
Bad debt expense/allowance adjustment	258,573	22,703	-	281,276
Salary expense*	865,176	33,130	-	898,306 *
Legal fees	69,698	-	-	69,698
Office expense*	264,815	126	-	264,941 *
Professional fees	58,995	-	-	58,995
Insurance expense	15,781	3,194	-	18,975
Depreciation expense	123,770	-	-	123,770
Other operating expenses	131,723	574	-	132,297
Total Operating Expenses	<u>1,904,869</u>	<u>59,727</u>	<u>-</u>	<u>1,964,596 *</u>
Operating Income	<u>423,047</u>	<u>288,176</u>	<u>-</u>	<u>711,223</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest income	6,106	3,314	-	9,420
Grant income	22,386	-	-	22,386
Grant expended	(15,058)	-	-	(15,058)
Capital lease interest	17,771	-	-	17,771
Loss on sale of capital assets	(37,863)	-	-	(37,863)
Interest expense	(17,771)	-	-	(17,771)
Total Non-operating Revenues (Expenses)	<u>(24,429)</u>	<u>3,314</u>	<u>-</u>	<u>(21,115)</u>
Increase in Net Position	398,618	291,490	-	690,108
Net Position - beginning of year	10,936,718	(522,044)	-	10,414,674
Prior period adjustment (Note 11)	<u>(3,456,912)</u>	<u>3,456,912</u>	<u>-</u>	<u>-</u>
Net Position - beginning of the year, as restated	7,479,806	2,934,868	-	10,414,674
Net Position - end of year	<u>\$ 7,878,424</u>	<u>\$ 3,226,358</u>	<u>\$ -</u>	<u>\$ 11,104,782</u>

\* Amounts reported for the audited financial statements compared to the above statement are different because:

Interfund fees	\$ 68,590
Interfund program expenses	68,590
Interfund Overhead	266,780
Interfund Salaries	110,767
Interfund Office Expenses	156,013

See paragraph on supplementary schedules included in auditor's report.

Supplemental Schedule SS-3

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

=====

STATEMENT OF FUND NET POSITION  
COMPONENT UNITS  
SEPTEMBER 30, 2013

<b>ASSETS:</b>	<b>JCLDC</b>	<b>JCCFDC</b>	<b>TOTAL</b>
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 1,735,917	\$ 279,370	\$ 2,015,287
Loans receivable - net of allowance of \$22,703 (Note 3)	1,112,479		1,112,479
Other receivables	108,627	-	108,627
Prepays	421	-	421
Total Current Assets	<u>2,957,444</u>	<u>279,370</u>	<u>3,236,814</u>
Total Assets	<u>\$ 2,957,444</u>	<u>\$ 279,370</u>	<u>\$ 3,236,814</u>
<b>LIABILITIES:</b>			
<i>Current Liabilities:</i>			
Accounts payable	\$ 10,456	\$ -	\$ 10,456
Total Current Liabilities/ Total Liabilities	<u>10,456</u>	<u>-</u>	<u>10,456</u>
<b>NET POSITION:</b>			
Unrestricted	<u>2,946,988</u>	<u>279,370</u>	<u>3,226,358</u>
Total Net Position	<u>\$ 2,946,988</u>	<u>\$ 279,370</u>	<u>\$ 3,226,358</u>

See paragraph on supplementary schedules included in auditor's report.

**Supplemental Schedule SS-4**

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

=====

STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
COMPONENT UNITS  
FOR YEAR ENDED SEPTEMBER 30, 2013

	JCLDC	JCCFDC	Total
<b>Revenues:</b>			
<i>Operating Revenues:</i>			
Bond issue and administrative fees	\$ 39,062	\$ 278,613	\$ 317,675
Interest from loans receivable	30,228	-	30,228
Total Operating Revenues	<u>69,290</u>	<u>278,613</u>	<u>347,903</u>
<b>Expenses:</b>			
Salary expense	33,130	-	33,130
Office expense	126	-	126
Insurance expense	3,194	-	3,194
Bad debt expense	22,703	-	22,703
Other operating expenses	574	-	574
Total Operating Expenses	<u>59,727</u>	<u>-</u>	<u>59,727</u>
Operating Income	<u>9,563</u>	<u>278,613</u>	<u>288,176</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	3,057	257	3,314
Total Non-operating Revenues (Expenses)	<u>3,057</u>	<u>257</u>	<u>3,314</u>
Increase in Net Assets	12,620	278,870	291,490
Net Position - beginning of year, as previously reported	(522,544)	500	(522,044)
Prior period adjustment (Note 11)	3,456,912	-	3,456,912
Net Position - beginning of year, as restated	<u>2,934,368</u>	<u>500</u>	<u>2,934,868</u>
Net Position - end of year	<u>\$ 2,946,988</u>	<u>\$ 279,370</u>	<u>\$ 3,226,358</u>

See paragraph on supplementary schedules included in auditor's report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

=====

STATEMENT OF FUND NET POSITION  
SEPTEMBER 30, 2013

	GENERAL	REVOLVING LOAN PROGRAM
<b>ASSETS:</b>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 1,702,730	\$ -
Other receivables	418,476	-
Prepaid expense	5,452	-
Capital lease receivable - current portion (Note 13)	79,646	-
Notes receivable - current portion (Note 4)	1,090	-
Total Current Assets	<u>2,207,394</u>	<u>-</u>
<i>Restricted Assets:</i>		
Cash and cash equivalents (Note 8)	-	1,516,027
Loans receivable-net of allowance of \$73,355 (Note 3)	-	3,148,662
Total Restricted Assets	<u>-</u>	<u>4,664,689</u>
<i>Noncurrent Assets:</i>		
Notes receivable - less current portion (Note 4)	28,971	-
Capital assets (Note 10)	587,634	-
Total Noncurrent Assets	<u>616,605</u>	<u>-</u>
Total Assets	<u>2,823,999</u>	<u>4,664,689</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
PILOT monies receivable	<u>179,896</u>	<u>-</u>
<b>LIABILITIES:</b>		
<i>Current Liabilities:</i>		
Accounts payable	51,207	256
Due to grantor	34,002	-
Note payable - current portion (Note 4)	1,090	-
Long term debt - current portion (Note 12)	79,646	-
Other current liabilities	4,500	-
Total Current Liabilities	<u>170,445</u>	<u>256</u>
<i>Current Liabilities Payable From Restricted Assets:</i>		
Interest payable - HUD	-	3,089
Total Current Liabilities Payable From Restricted Assets	<u>-</u>	<u>3,089</u>
<i>Noncurrent Liabilities:</i>		
Note payable - less current portion (Note 4)	28,971	-
Long-term debt - less current portion (Note 12)	180,160	-
Total Noncurrent Liabilities	<u>209,131</u>	<u>-</u>
Total Liabilities	<u>379,576</u>	<u>3,345</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Due to other governments (Note 9)	<u>179,896</u>	<u>-</u>
<b>NET POSITION:</b>		
Net investment in capital assets	<u>587,634</u>	<u>-</u>
Restricted for:		
Revolving loan program	-	4,661,344
Microenterprise loan program	-	-
City loan program	-	-
Total restricted net position	<u>-</u>	<u>4,661,344</u>
Unrestricted	<u>1,856,789</u>	<u>-</u>
Total Net Position	<u>\$ 2,444,423</u>	<u>\$ 4,661,344</u>

See paragraph on supplementary schedules included in auditor's report.

Supplemental Schedule SS-5

MICRO- ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
\$ -	\$ -	\$ 1,702,730
-	-	418,476
-	-	5,452
-	-	79,646
-	-	1,090
<u>-</u>	<u>-</u>	<u>2,207,394</u>
75,885	203,416	1,795,328
449,241	44,157	3,642,060
<u>525,126</u>	<u>247,573</u>	<u>5,437,388</u>
-	-	28,971
-	-	587,634
-	-	616,605
<u>525,126</u>	<u>247,573</u>	<u>8,261,387</u>
-	-	179,896
20	-	51,483
-	-	34,002
-	-	1,090
-	-	79,646
-	-	4,500
<u>20</u>	<u>-</u>	<u>170,721</u>
12	10	3,111
<u>12</u>	<u>10</u>	<u>3,111</u>
-	-	28,971
-	-	180,160
-	-	209,131
<u>32</u>	<u>10</u>	<u>382,963</u>
-	-	179,896
-	-	587,634
-	-	4,661,344
525,094	-	525,094
-	247,563	247,563
<u>525,094</u>	<u>247,563</u>	<u>5,434,001</u>
-	-	1,856,789
<u>\$ 525,094</u>	<u>\$ 247,563</u>	<u>\$ 7,878,424</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR YEAR ENDED SEPTEMBER 30, 2013

	GENERAL	REVOLVING LOAN PROGRAM
<b>REVENUES:</b>		
<i>Operating Revenues:</i>		
Bond issue and administrative fees*	\$ 1,399,742	\$ -
Interest from loans receivable	-	120,564
Community Development Agreement	315,923	-
Overhead recovery*	404,589	-
Lease income	5,920	-
Other operating revenues	60,096	286
Total Operating Revenues	2,186,270	120,850
<b>EXPENSES:</b>		
<i>Operating Expenses:</i>		
Program expense *	47,228	43,443
Bad debt expense/allowance adjustment	-	204,606
Salary expense*	865,176	-
Legal fees	62,620	6,547
Office expense*	264,815	-
Professional fees	58,995	-
Insurance expense	15,781	-
Depreciation expense	123,770	-
Other operating expenses	128,845	-
Total Operating Expenses	1,567,230	254,596
Operating Income	619,040	(133,746)
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	6,106	-
Grant income	22,386	-
Grant expended	(15,058)	-
Capital lease interest	17,771	-
Loss on sale of capital assets	(37,863)	-
Interest expense	(17,771)	-
Total Non-operating Revenues (Expenses)	(24,429)	-
Increase (decrease) in Net Position	594,611	(133,746)
Net Position - beginning of year, as previously reported	5,306,724	4,795,090
Prior period adjustment	(3,456,912)	-
Net Position - beginning of year, as restated	1,849,812	4,795,090
Net Position - end of year	\$ 2,444,423	\$ 4,661,344

\* Amounts reported for the audited financial statements compared to the above statement are different because:

Interfund fees	\$ 68,590
Interfund program expenses	68,590
Interfund Overhead	266,780
Interfund Salaries	110,767
Interfund Office Expenses	156,013

See paragraph on supplementary schedules included in auditor's report.

**Supplemental Schedule SS-6**

<b>MICRO- ENTERPRISE LOAN PROGRAM</b>	<b>CITY LOAN PROGRAM</b>	<b>TOTAL</b>
\$ -	\$ -	\$ 1,399,742 *
18,225	1,126	139,915
-	-	315,923
-	-	404,589 *
-	-	5,920
1,445	-	61,827
<u>19,670</u>	<u>1,126</u>	<u>2,327,916 *</u>
25,667	-	116,338 *
53,967	-	258,573
-	-	865,176 *
531	-	69,698
-	-	264,815 *
-	-	58,995
-	-	15,781
-	-	123,770
2,023	855	131,723
<u>82,188</u>	<u>855</u>	<u>1,904,869 *</u>
<u>(62,518)</u>	<u>271</u>	<u>423,047</u>
-	-	6,106
-	-	22,386
-	-	(15,058)
-	-	17,771
-	-	(37,863)
-	-	(17,771)
<u>-</u>	<u>-</u>	<u>(24,429)</u>
(62,518)	271	398,618
587,612	247,292	10,936,718
<u>-</u>	<u>-</u>	<u>(3,456,912)</u>
587,612	247,292	7,479,806
<u>\$ 525,094</u>	<u>\$ 247,563</u>	<u>\$ 7,878,424</u>

**POULSEN & PODVIN, CPA, P.C.**

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

INDEPENDENT AUDITOR'S 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 Board of Directors

Jefferson County Industrial Development Agency

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 in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Jefferson County Industrial Development Agency, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Jefferson County Industrial Development Agency's basic financial statements, and have issued our report thereon dated December 4, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jefferson 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 Jefferson County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson 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 entity'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 Jefferson County Industrial Development Agency's financial statements are free from 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 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 entity'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.

*Poulsen & Podvin, CPA, P.C.*

Watertown, NY  
December 4, 2013

**POULSEN & PODVIN, CPA, P.C.**

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133

To the Board of Directors

Jefferson County Industrial Development Agency

**Report on Compliance for Each Major Federal Program**

We have audited Jefferson County Industrial Development Agency's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jefferson County Industrial Development Agency's major federal program for the year ended September 30, 2013. Jefferson County Industrial Development Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Jefferson County Industrial Development Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson County Industrial Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jefferson County Industrial Development Agency's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Jefferson County Industrial Development Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

## Report on Internal Control Over Compliance

Management of Jefferson County Industrial Development Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson County Industrial Development Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson County Industrial Development Agency's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Poulsen & Podvin, CPA, P.C.*

Watertown, NY  
December 4, 2013

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2013

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<b>Federal Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed through Jefferson County, New York:		
Community Development Block Grant (CDBG)	14.000	\$ 1,105,787
<b>USDA Rural Development</b>		
Rural Business Enterprise Grant	10.783	14,370
Total expenditures of federal awards		<u>\$ 1,120,157</u>

See paragraph on Supplementary Schedules Included in Auditor's Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

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JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2013

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**NOTE A - BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of Jefferson County Industrial Development Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT:**

The Agency administers revolving Community Development Block Grant loans funded by the U.S. Department of Housing and Urban Development. At September 30, 2013, the loans receivable balances (net of allowance for bad debts) for the programs were as follows:

Revolving Loan Fund	\$ 3,148,662
Microenterprise Loan Fund	449,241
Watertown City Loan Fund	<u>44,157</u>
	<u>\$ 3,642,060</u>

Total new loans awarded were \$1,018,871 as of September 30, 2013. New loans awarded out-of-program income were \$1,018,871 as of September 30, 2013.

Total program income received for each loan fund program as of September 30, 2013 was as follows:

Revolving Loan Fund	\$ 601,144
Microenterprise Loan Fund	148,189
Watertown City Loan Fund	<u>8,878</u>
	<u>\$ 758,211</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2013

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**Section I – Summary of Audit Results:**

1. The auditor's report expresses an unqualified opinion on the financial statements of Jefferson County Industrial Development Agency.
2. There were no significant deficiencies related to the audit of the financial statements of Jefferson County Industrial Development Agency's financial statements.
3. No instances of noncompliance material to the financial statements of Jefferson County Industrial Development Agency were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program of Jefferson County Industrial Development Agency.
5. The auditor's report on compliance for the major federal award program for Jefferson County Industrial Development Agency expresses an unqualified opinion on the major federal program.
6. There were no audit findings relative to the major federal award program for Jefferson County Industrial Development Agency.
7. The program tested as a major program included:
  - U.S. Department of Housing and Urban Development – Community Development Block Grant – CFDA #14.000.
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Jefferson County Industrial Development Agency was determined **not** to be a low-risk auditee

**Section II – Financial Statement Findings:**

There were no findings to report.

**Section III – Federal Award Findings and Questioned Costs:**

There were no findings to report.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There were no prior findings to report the status of.