

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY
A COMPONENT UNIT OF
JEFFERSON COUNTY

FINANCIAL STATEMENTS
September 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jefferson County Industrial Development Agency

We have audited the accompanying financial statements of Jefferson County Industrial Development Agency ("the Agency"), a component unit of Jefferson County, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Jefferson County Industrial Development Agency, as of September 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-14) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Jefferson County Industrial Development Agency's basic financial statements. The supplemental schedules, SS1 – SS6, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of Jefferson County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County Industrial Development Agency's internal control over financial reporting and compliance.

Banner & Company

Watertown, New York
December 15, 2014

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

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, 2014. 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, and provides Administrative Services to JCIDA. The Organization was started October 1, 2009.

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.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

BASIC FINANCIAL STATEMENTS - Continued

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

The *statement of revenues, expenses, and changes in net position* presents information showing how the Agency's net assets 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 34 - 39, which are presented for purposes of additional analysis only. Also presented is a Schedule of Expenditures of Federal Awards (page 45), 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*.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

FINANCIAL ANALYSIS

Statement of Net Position

JCIDA and its component units' 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 various loan programs. Descriptions of the loan programs are presented below:

- ◆ **Revolving Loan Program**—this program generally provides loans up to about \$250,000. In extenuating circumstances, larger loans have been made. 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. These loans are considered to be restricted.
- ◆ **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. These loans are considered to be restricted.
- ◆ **City Loan Program**—this program is designed for projects located in the City of Watertown. These loans are considered to be restricted.
- ◆ **Board Designated Loans**—the JCLDC has established a loan program to make loans for economic development in the Jefferson County area. These loans are considered to be unrestricted.

Restricted loans receivable, net of the allowance for doubtful accounts, at September 30, 2014 were \$3,164,309.

Unrestricted loans receivable, net of the allowance for doubtful accounts, at September 30, 2014 were \$1,295,825.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

FINANCIAL ANALYSIS- Continued

Statement of Net Position- continued

JCIDA and its component units' major liabilities consist of operating payables, deferred revenues, and interest payments due to HUD. Additionally, various notes payable were incurred for costs associated with the purchase and improvements to the Stream building. As of September 30, 2014, all long-term debt associated with the Stream building has been paid in full.

Deferred outflows and inflows are recorded for payments due to taxing jurisdictions from PILOT payments. These monies are passed through JCIDA.

Net assets include capital assets, net of depreciation and related debt of \$1,434,913, unrestricted fund of \$4,491,844 and restricted funds as follows:

Revolving Loan Funds	\$	4,530,317
Microenterprise Loan Funds		487,466
City Loan Funds		248,033
Airport Corporate Park		352,709
	<u>\$</u>	<u>5,618,525</u>

Capital Assets

Capital assets are comprised of land (approximately 121 acres of industrial park land) and a building (City Center Plaza, Arsenal Street, Watertown, New York, which is leased to Convergys), and various furniture and fixtures.

	2013	2014
Land and improvements	\$ 345,673	\$ 541,692
Work in Process	88,229	103,040
Building	804,296	1,418,227
Equipment	116,720	219,220
Total Capital Assets	<u>1,354,918</u>	<u>2,282,179</u>
Less: Accumulated Depreciation	<u>767,284</u>	<u>847,266</u>
Total Capital Assets, Net of Depreciation	<u>\$ 587,634</u>	<u>\$ 1,434,913</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

CAPITAL ASSETS - Continued

	Years Ended September 30,	
	2013	2014
Assets		
Cash and cash equivalents	\$ 5,513,345	\$ 5,619,179
Loans receivable	4,754,539	4,460,134
Capital lease receivable, current	79,646	0
Other receivables	527,103	307,532
Capital assets, net of depreciation	587,634	1,434,913
Other assets	35,934	33,391
Total Assets	<u>11,498,201</u>	<u>11,855,149</u>
Deferred Outflows of Resources	<u>179,896</u>	<u>51,632</u>
Liabilities		
Current liabilities	184,288	101,928
Long-term liabilities	209,131	207,939
Total Liabilities	<u>393,419</u>	<u>309,867</u>
Deferred Inflows of Resources	<u>179,896</u>	<u>51,632</u>
Net Position		
Net investment in capital assets	587,634	1,434,913
Restricted	5,434,001	5,618,525
Unrestricted	5,083,147	4,491,844
Total Net Assets	<u>\$ 11,104,782</u>	<u>\$ 11,545,282</u>

Refer to the Statement of Net Position in the compined financial statements for more detail.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

FINANCIAL ANALYSIS - Continued

Statement of Revenues, Expenses, and Changes in Net Position

The Agency's main revenue comes from fees generated through the issuance of PILOTs, underwriting and loan administrative fees, and interest earned on loan program receivables. Interest and late charges earned on the loan programs during this fiscal period was \$129,636. Other revenue is generated through grants for the various projects the JCIDA is administering.

Operating expenses typically relate to the various projects the JCIDA is working on (other grant projects). The main operating expense is salaries and wages.

The major revenue and expense items for year ended September 30, 2014 relate to normal program operations.

The JCIDA and component units' increase in net position for 2014 was \$341,500 which was higher than originally budgeted. Total Net Position at year-end was \$11,545,282. Refer to Budgetary Highlights for more details.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

	For Years Ended September 30	
	2013	2014
Operating Revenues		
Bond issue and administrative fees	\$ 1,648,827	\$ 573,969
Jefferson County Support	-	496,884
Interest on loans receivable	170,143	171,215
Airport Development	-	352,709
Community Development Agreement	315,923	315,923
Other operating revenues	205,556	57,732
Total Operating Revenue	<u>2,340,449</u>	<u>1,968,432</u>
Operating Expenses		
Program expense	47,748	867
General and administrative	1,176,432	1,045,992
Bad debt expense/allowance adjustment	281,276	502,239
Depreciation	123,770	79,982
Total Operating Expenses	<u>1,629,226</u>	<u>1,629,080</u>
Income from Operations	<u>711,223</u>	<u>339,352</u>
Nonoperating Revenues (expense)	<u>(21,115)</u>	<u>2,148</u>
Changes in Net Assets	690,108	341,500
Net Assets, beginning of year	10,414,674	11,104,782
Prior Period Adjustment	-	99,000
Net Assets, beginning of year as restated	-	11,203,782
Net Assets, end of year	<u>\$ 11,104,782</u>	<u>\$ 11,545,282</u>

Refer to the Statement of Revenues, Expenses, and Changes in Net Position in the combined financial statements for more detail.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

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.

Additionally

During 2003, the JCIDA renovated the Woolworth building for Stream. The renovated building was leased to Stream for 10 years. As of October 1, 2014, JCIDA negotiated a five year extension of the lease, and provided approximately \$500,000 in capital additions to the building, enabling Stream to expand its workforce up to 1000. During the year Stream was sold to Convergys. Convergys has assumed the lease.

The JCIDA was also 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 current 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, 2014. Included in long-term liabilities for the year ended September 30, 2014 is \$180,160 due to New York State for this project.

In October of 2011, as the result of a PILOT agreement 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.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

OVERVIEW OF THE YEAR'S PROJECTS

Other Projects in Process

Clayton Harbor Hotel, Clayton, NY. 95,000 Square Foot Hotel. Project Cost \$13,000,000. PILOT provided.

SunCap/FedEx package distribution center. 63,000 square feet, project cost \$7,500,000. PILOT provided.

Lawler Realty/Millcreek Housing, 90 residential units, Project cost \$15,000,000. PILOT provided.

Morgan Watertown Townhomes, LLC. 394 unit's residential housing units, Project cost \$55,000,000. PILOT provided.

COR Watertown, LLC, 296 residential housing units, project cost \$37,000,000. PILOT provided.

Renovation of the historical Woolworth Building started October 2013, developing 11,000 square feet of commercial space and 50 residential housing units in downtown Watertown. Project cost \$16,000,000. PILOT Provided.

BUDGETARY HIGHLIGHTS

For the year ended 9/30/14 the most significant impact on revenue is an increase in Community Development Funds due to the Phase II, Airport development has not started due to infrastructure issues; however, JCIDA has acquired several vacant parcels for future development.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

BUDGETARY HIGHLIGHTS - Continued

	Budget	Actual	Variation
Revenue			
Administrative Fees	\$ 20,000	\$ 50,263	\$ 30,263
PILOT Fees	250,000	322,383	72,383
Loan Program Fees	68,591	69,290	699
Grant Income	0	5,823	5,823
Net Assets Transferred	280,000	631,709	351,709
Interest Income	5,000	4,471	(529)
Late Payment Penalty	800	1,731	931
Convergys Maintenance fee	11,500	29,517	18,017
Other operating Revenue	6,900	20,244	13,344
Community Develop Agreement	315,923	315,923	0
Interest from Loan Receivable	141,420	135,556	(5,864)
Convergys Interest/Grants	0	200,000	200,000
Total Revenue	1,100,134	1,786,910	686,776
Expenses			
Administrative Service Fees	855,000	855,996	(996)
Office Expense	2,500	34,070	(31,570)
Consultants	5,000	10,610	(5,610)
Insurance Expense	15,000	37,065	(22,065)
Legal Expenses	25,000	14,792	10,208
Professional Fees	11,000	11,273	(273)
Convergys Building Maintenance	10,000	25,955	(15,955)
Corporate Park	56,300	20,313	35,987
Program Expenses	69,391	68,718	673
Depreciation	124,100	70,552	53,548
Bad Debt Expense	0	318,237	(318,237)
Other Grants	0	11,126	(11,126)
Miscellaneous Expenses	500	0	500
Total Expense	1,173,791	1,478,707	(304,916)
Net Income	\$ (73,657)	\$ 308,203	\$ (381,860)

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2014

ECONOMIC FACTORS AND FUTURE OUTLOOK

During fiscal year 10/1/14 through 9/30/15 we anticipate participating in major improvements at the Watertown Airport, and further development of the Airport Industrial Park. At year end a Developer has completed Federal Express warehouse in the Coffeen Street Industrial Park, Several loans pending at year end will be closed during the first quarter of 2015.

We are working with a developer on a project 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 for the project. Project approval by the various governmental agencies is pending.

During the year we acquired several pieces of property adjacent to Watertown International Airport. Total acreage owned is 93.87 and will be developed as an Industrial Park.

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AUDITED BASIC FINANCIAL STATEMENTS

COMBINED STATEMENT OF NET POSITION

September 30, 2014

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 3,161,238
Loans Receivable - Net of Allowance	1,295,825
Other Receivables	307,532
Prepaid Expense	4,420
Notes Receivable - Current Portion	1,192
Total Current Assets	<u>4,770,207</u>

Restricted Assets:

Cash and Cash Equivalents	2,457,941
Loans Receivable - Net of Allowance	3,164,309
Total Restricted Assets	<u>5,622,250</u>

Noncurrent Assets:

Notes Receivable - Less Current Portion	27,779
Capital Assets, Net	1,434,913
Total Noncurrent Assets	<u>1,462,692</u>
Total Assets	<u>11,855,149</u>

DEFERRED OUTFLOWS OF RESOURCES:

PILOT Monies Receivable	<u>51,632</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 45,534
Due to Grantor	34,006
Note Payable - Current Portion	1,192
Other Current Liabilities	17,471
Total Current Liabilities	<u>98,203</u>

Current Liabilities Payable From Restricted Assets:

Accounts Payable	301
Interest Payable - HUD	3,424
Total Current Liabilities Payable From Restricted Assets	<u>3,725</u>

Noncurrent Liabilities:

Note Payable - Less Current Portion	27,779
Long-term Debt - Less Current Portion	180,160
Total Noncurrent Liabilities	<u>207,939</u>
Total Liabilities	<u>309,867</u>

DEFERRED INFLOWS OF RESOURCES:

Due To Other Governments	<u>51,632</u>
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NET POSITION:

Net Investment in Capital Assets	1,434,913
Restricted for:	
Other Legal Restrictions	5,618,525
Unrestricted	4,491,844
Total Net Position	<u>\$ 11,545,282</u>

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended September 30, 2014

REVENUES:

Operating Revenues:

Bond Issue and Administrative Fees	\$ 573,969
Jefferson County Support	496,884
JCLDC Airport Project Contribution	352,709
Interest from Loans Receivable	171,215
Community Development Agreement	315,923
Lease Income	5,920
Other Operating Revenues	51,812
Total Operating Revenues	<u>1,968,432</u>

EXPENSES:

Operating Expenses:

Program Expense	867
Salaries and Wages	645,598
Bad Debt Expense/Allowance Adjustment	502,239
Legal Fees	15,293
Office Expense	86,038
Professional Fees	21,883
Insurance Expense	53,777
Depreciation Expense	79,982
Other Operating Expenses	223,403
Total Operating Expenses	<u>1,629,080</u>

Operating Income

339,352

NON-OPERATING REVENUES (EXPENSES):

Interest Income	7,451
Grant Income	5,823
Grant Expenditures	(11,126)
Capital Lease Interest	195
Interest Expense	(195)
Total Non-Operating Revenues (Expenses)	<u>2,148</u>

Increase in Net Position

341,500

Net Position-Beginning of Year

11,104,782

Prior Period Adjustment

99,000

Net Position-Beginning of Year as Restated

11,203,782

Net Position-End of Year

\$ 11,545,282

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINED STATEMENT OF CASH FLOWS

September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from bond issue and administrative fees	\$ 657,101
Cash received from Jefferson County	849,593
Cash received from interest on loans receivable	171,215
Cash received from late payment penalties	2,026
Cash received from loans	746,163
Cash received from lease income	5,920
Cash received from Community Development Agreement	315,923
Cash received from maintenance reserve	29,129
Cash received from interest on revolving loan funds	2,297
Cash received from other operating sources	19,752
Cash payments to HUD for interest on revolving loan funds	(2,491)
Cash payments for salary	(645,598)
Cash payments for supplies of goods and services	(459,159)
Issuance of new loans	(895,500)
Cash payments for projects	(867)
Net cash provided by operating activities	<u>795,504</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Grants paid in excess of grants received	131,140
Net cash provided by noncapital financing activities	<u>131,140</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Additions to capital assets	(828,261)
Net cash (used) by capital and related financing activities	<u>\$ (828,261)</u>

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINED STATEMENT OF CASH FLOWS - CONTINUED

September 30, 2014

Cash received from interest	\$ 7,451
Net cash provided by investing activities	<u>7,451</u>
Net increase in cash	105,834
Cash and cash equivalents, beginning of year	<u>5,513,345</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,619,179</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 3,161,238
Restricted cash and cash equivalents	<u>2,457,941</u>
Total cash and cash equivalents	<u><u>\$ 5,619,179</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 339,352
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	79,982
Bad debt expense/allowance adjustment	502,239
(Increase) decrease in:	
Loans receivable	(207,834)
Other receivables	83,132
Prepaid expense	1,453
Increase (decrease) in:	
Accounts payable	(16,104)
Interest payable	313
Other liabilities	<u>12,971</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 795,504</u></u>
Noncash capital and financing activities:	
Decrease of capital lease receivable and related long-term debt	<u><u>\$79,646</u></u>

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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 their respective Boards are substantially the same and due to the nature of their relationship.

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 Civic Facility Corporation is financially accountable to Jefferson County Industrial Development Agency and is considered a component unit of Jefferson County Industrial Development Agency.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Measurement Focus, Basis of Accounting and Financial Statements Presentation - Continued

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.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

	Years
Equipment	5 - 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 is financially accountable to Jefferson County Industrial Development Agency and is considered a component unit 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.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 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 15, 2014, the date which the financial statements were available to be issued.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name	2,549,602

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, 2014 loans receivable consisted of the following:

Unrestricted:	
Loans - Board Designated	1,295,825
Restricted:	
Revolving Loan Program	2,808,026
Microenterprise Loan Program	356,283
City Loan Program	-
Total	<u>\$ 4,460,134</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - LOANS RECEIVABLE - Continued

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 in the Jefferson County area and help spur job creation and retention in the area. The allowance of \$206,706 at September 30, 2014 was based on the LDC'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 \$277,718 at September 30, 2014 was based on the Agency's historical average percentage of accounts written off over the last three years, with a minimum allowance of not less than 8% of year end receivables.

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 \$44,035 at September 30, 2014 was based on the Agency's historical average percentage of accounts written off over the last three years, with a minimum allowance of not less than 8% of year end receivables.

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, 2014, there is no loan receivable balance and there has been no reserve for bad loans established.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - LOANS RECEIVABLE - Continued

The following is a schedule of the outstanding loans receivable at September 30, 2014:

Loans - Board Designated:

Current Applications	\$ 171,919
Current Applications	53,138
Florelle Tissue Corp.	250,000
Hi-Lite Markings	400,000
LCO Destiny LLC	300,000
The Lodge at Ives Hill	155,102
WICLDC	172,372
Total	<u>1,502,531</u>
Less - Allowance for Bad Loans	<u>(206,706)</u>
Total Revolving Loans Receivable	<u>\$ 1,295,825</u>

Revolving Loan Program:

Benchmark Family Services	\$ 226,464
Days Inn	86,542
HiLite Markings	225,215
HiLite Markings	400,000
Florelle Tissue Corp.	350,000
LCO Destiny LLC	158,958
Meadowbrook Terrace	233,183
Metro Paper Industries	88,757
MLR, LLC	72,191
MLR, LLC	185,444
North American Tapes, LLC	157,693
North American Tapes, LLC	117,253
Riverview Plaza, LLC	51,057
Roth Industries, Inc.	176,744
Roth Industries, Inc.	13,499
The Children's Clinic	111,115
The Children's Clinic	55,455
Wright Bros. LLC	228,054
YMCA	148,120
Total	<u>3,085,744</u>
Less - Allowance for Bad Loans	<u>(277,718)</u>
Total Revolving Loans Receivable	<u>\$ 2,808,026</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 - LOANS RECEIVABLE - Continued

Loan Programs - Continued

Microenterprise Loan Program:

An Apple A Day	\$ 13,101
Better Health Chiropractic	32,886
BICC Brothers of NNY	29,661
Jamie Bliven d/b/a Duck Stop	13,066
Louise Psarras-Bly	11,346
Café Mira	23,712
Jay Canzonier	21,373
DePauville Mini Mart	5,806
Allen Gonya	1,601
Hero's Haven	7,356
The Hops Spot	11,419
Imprints of NNY	4,607
Jessies Pet Spa	151
Little Sisters Inn at Herrings	39,412
Lyric Enterprises	21,432
RC Spot LLC	40,969
RC Spot LLC	38,968
ROBO Spray	5,763
Sackets Harbor Trading Co.	18,067
Stale On The Seaway	13,239
SUP Sackets Harbor	10,142
Taste of Design	30,818
Triple B&A, LLC	5,423
Total	<u>400,318</u>
Less - Allowance for Bad Loans	(44,035)
Total Microenterprise Loans Receivable	<u><u>\$356,283</u></u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 4 – NOTES RECEIVABLE/UNEARNED REVENUE

Notes receivable/Unearned revenue consisted of the following at September 30, 2014:

Note due from Kenneth Rogers - monthly payments of \$314.91, including interest at 9%, due 12/1/27	\$ 28,971
Less - current portion	<u>(1,192)</u>
Non-current portion	<u>\$ 27,779</u>

This note was written-off in a 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 held 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 2014, the Agency purchased three parcels of land. One parcel is approximately 44 acres at a cost of \$2,381 per acre. A second parcel is approximately 10 acres at a cost of \$2,194 per acre. A third parcel is approximately 12.1 acres at a cost of \$14,283 per acre. See Capital Assets – Note 9 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.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 6 – COMMITMENTS AND CONTINGENCIES - Continued

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.

Loan Commitments

At September 30, 2014, the Agency has commitments for loans to Carthage Specialty Paper Board for \$200,000 and Mr. Rick's Bakery for \$40,000. These loans have not been completed as of September 30, 2014.

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.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 6 – COMMITMENTS AND CONTINGENCIES - Continued

Federal and State Grant Programs - Continued

As of September 30, 2014, 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 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash, which is invested in interest-bearing accounts, consisted of the following at September 30, 2014:

Revolving Loan Fund	\$ 1,725,998
Microenterprise Loan Fund	131,195
City Loan Fund	248,039
Airport Corporate Park Funds	<u>352,709</u>
	<u>\$ 2,457,941</u>

NOTE 8 – 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, 2014 are \$51,632.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 9 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land and improvements	\$ 345,673	\$ 196,019	\$ -	\$ 541,692
Work in Process	88,229	628,742	(613,931)	103,040
Depreciable Assets:				
Equipment	116,720	102,500	-	219,220
Building	804,296	613,931	-	1,418,227
Total Capital Assets	<u>1,354,918</u>	<u>1,541,192</u>	<u>(613,931)</u>	<u>2,282,179</u>
Less - accumulated depreciation	<u>767,284</u>	<u>79,982</u>	<u>-</u>	<u>847,266</u>
Total Capital Assets - Net of Depreciation	<u><u>\$ 587,634</u></u>	<u><u>\$ 1,461,210</u></u>	<u><u>\$ (613,931)</u></u>	<u><u>\$ 1,434,913</u></u>

NOTE 10 – LONG-TERM DEBT

The following notes payable were in effect at September 30, 2014:

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, 2014	<u>\$ 180,160</u>
Less - Current Portion	<u>180,160</u>
Long-Term Portion	<u><u>\$ 180,160</u></u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 10 – LONG-TERM DEBT- Continued

The future principal payments on the notes payable as of September 30, 2014 are summarized as follows:

Year Ending September 30	Principal	Interest	Total
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	<u>180,160</u>	<u>-</u>	<u>180,160</u>
	<u>\$ 180,160</u>	<u>\$ -</u>	<u>\$ 180,160</u>

Summary of changes in long-term debt:

	10/1/13	Additions	Reductions	9/30/14
Notes payable	<u>\$ 259,806</u>	<u>\$ -</u>	<u>\$ (79,646)</u>	<u>\$ 180,160</u>

NOTE 11 – RELATED PARTY AGREEMENTS AND TRANSACTIONS

The Agency has a renewable agreement with Jefferson County Local Development Corporation (JCLDC) to provide professional staffing and administrative support services. The amount paid for the service agreement for the year ended September 30, 2014 was \$855,996.

The Agency received \$352,709 from JCLDC during the year to be restricted towards the purchase of property and other expenses related to development of the Airport Corporate Park. As of September 30, 2014, there have been no expenditures out of these restricted funds.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 12 – 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.

Airport Corporate Park

During 2014, the Agency received monies to be restricted towards development of the Airport Corporate Park. As of September 30, 2014, these monies are intact. See Note 11.

NOTE 13 – 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 14 – 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 employee 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'

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 14 – PENSION PLAN - Continued

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.

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:

	ERS
2014	\$16,475
2013	125,139
2012	106,877

Effective October 1, 2013, the Agency no longer participates in the New York State and Local Employees' Retirement System. The 2014 contribution was the final payment made to the New York State Employee Retirement System.

NOTE 15 – NET ASSET TRANSFER

As a result of restructuring, monies in the amount of \$826,174 were transferred out of the Agency's unrestricted cash accounts to Jefferson County Local Development Corporation. As such, these amounts are recorded in the Combining Statement of Revenues, Expenses, and Changes in Net Position, SS2, as an adjustment to net position during the year.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The JCLDC purchased equipment in 2012 which was expensed in error instead of capitalized, resulting in an understatement of previously reported net assets, which was discovered during the current year. Accordingly, a prior period adjustment of \$99,000 was made as of 10/1/2013 to book the asset as of the beginning of the year. A corresponding entry was made to increase previously reported net assets.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SUPPLEMENTAL SCHEDULES AND ADDITIONAL INFORMATION

SS1 COMBINING STATEMENT OF FUND NET POSITION

September 30, 2014

ASSETS:	JCIDA	Component Units	Eliminations	TOTAL
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 614,910	\$ 2,546,328	\$ -	\$ 3,161,238
Loans Receivable-Net of Allowance	-	1,295,825	-	1,295,825
Other Receivables	68,537	250,328	(11,333)	307,532
Prepaid Expense	2,000	2,420	-	4,420
Notes Receivable - Current Portion	1,192	-	-	1,192
Total Current Assets	686,639	4,094,901	(11,333)	4,770,207
<i>Restricted Assets:</i>				
Cash and Cash Equivalents	2,457,941	-	-	2,457,941
Loans Receivable-Net of Allowance	3,164,309	-	-	3,164,309
Total Restricted Assets	5,622,250	-	-	5,622,250
<i>Noncurrent Assets:</i>				
Notes receivable - Less Current Portion	27,779	-	-	27,779
Capital Assets , Net	1,257,567	177,346	-	1,434,913
Total Noncurrent Assets	1,285,346	177,346	-	1,462,692
Total Assets	7,594,235	4,272,247	(11,333)	11,855,149
DEFERRED OUTFLOWS OF RESOURCES:				
PILOT Monies Receivable	51,632	-	-	51,632
LIABILITIES:				
<i>Current Liabilities:</i>				
Accounts Payable	4,666	41,169	-	45,835
Due to JCLDC	11,333	-	(11,333)	-
Due to Grantor	-	34,006	-	34,006
Note Payable - Current Portion	1,192	-	-	1,192
Other Current Liabilities	5,228	12,243	-	17,471
Total Current Liabilities	22,419	87,418	(11,333)	98,504
<i>Current Liabilities Payable From Restricted Assets:</i>				
Interest Payable - HUD	3,424	-	-	3,424
Total Current Liabilities Payable From Restricted Assets	3,424	-	-	3,424
<i>Noncurrent Liabilities:</i>				
Note Payable - Less Current Portion	27,779	-	-	27,779
Long-term Debt- Less Current Portion	180,160	-	-	180,160
Total Noncurrent Liabilities	207,939	-	-	207,939
Total Liabilities	233,782	87,418	(11,333)	309,867
DEFERRED INFLOWS OF RESOURCES:				
Due to Other Governments	51,632	-	-	51,632
NET POSITION:				
Net Investment in Capital Assets	1,257,567	177,346	-	1,434,913
<i>Restricted for:</i>				
Airport Corporate Park	352,709	-	-	352,709
Revolving Loan Program	4,530,317	-	-	4,530,317
Microenterprise Loan Program	487,466	-	-	487,466
City Loan Program	248,033	-	-	248,033
Total Restricted Net Position	5,618,525	-	-	5,618,525
Unrestricted	484,361	4,007,483	-	4,491,844
Total Net Position	\$ 7,360,453	\$ 4,184,829	\$ -	\$ 11,545,282

See paragraph on supplementary schedules included in auditors' report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SS2 COMBINING STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2014

	JCIDA	Component Units	Eliminations	Total
Revenues:				
<i>Operating Revenues:</i>				
Bond Issue and Administrative Fees*	\$ 641,937	\$ 856,746	\$ (855,996)	\$ 642,687
Jefferson County Support	-	849,593	(352,709)	496,884
Airport Corporate Park Development	352,709	-	-	352,709
JCCFDC Income	279,000	-	(279,000)	-
Interest from Loans Receivable	129,636	41,579	-	171,215
Community Development Agreement	315,923	-	-	315,923
Lease Income	5,920	-	-	5,920
Other Operating Revenues	51,296	516	-	51,812
Total Operating Revenues	<u>1,776,421</u>	<u>1,748,434</u>	<u>(1,487,705)</u>	<u>2,037,150</u>
Expenses:				
<i>Operating Expenses:</i>				
Program Expense *	69,585	-	-	69,585
Salaries and Wages	-	645,598	-	645,598
Bad Debt Expense/Allowance Adjustment	318,237	184,002	-	502,239
Legal Fees	15,293	-	-	15,293
Office Expense	420	85,618	-	86,038
Administrative Service Agreement	855,996	-	(855,996)	-
Professional Fees	21,883	-	-	21,883
Insurance Expense	37,065	16,712	-	53,777
Depreciation Expense	70,553	9,429	-	79,982
Other operating expenses	78,354	776,758	(631,709)	223,403
Total Operating Expenses	<u>1,467,386</u>	<u>1,718,117</u>	<u>(1,487,705)</u>	<u>1,697,798</u>
Operating Income	<u>309,035</u>	<u>30,317</u>	<u>-</u>	<u>339,352</u>
Non-Operating Revenues (Expenses):				
Interest Income	4,471	2,980	-	7,451
Grant Income	5,823	-	-	5,823
Grant Expended	(11,126)	-	-	(11,126)
Capital Lease Interest	195	-	-	195
Interest Expense	(195)	-	-	(195)
Total Non-operating Revenues (Expenses)	<u>(832)</u>	<u>2,980</u>	<u>-</u>	<u>2,148</u>
Increase in Net Position	<u>308,203</u>	<u>33,297</u>	<u>-</u>	<u>341,500</u>
Net Position - Beginning of Year	7,878,424	3,226,358	-	11,104,782
Prior Period Adjustment	-	99,000	-	99,000
Net Position - Beginning of Year as Restated	7,878,424	3,325,358	-	11,203,782
Net Asset Adjustment: Transfer to JCLDC	(826,174)	826,174	-	-
Net Position - End of Year	<u>\$7,360,453</u>	<u>\$4,184,829</u>	<u>\$-</u>	<u>\$11,545,282</u>

See paragraph on supplementary schedules included in auditors' report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SS3 STATEMENT OF FUND NET POSITION

September 30, 2014

ASSETS:	JCLDC	JCCFDC	TOTAL
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 2,545,151	\$ 1,177	\$ 2,546,328
Loans Receivable (Net of Allowance for Bad Debt of \$206,706)	\$ 1,295,825	-	1,295,825
Other Receivables	250,328	-	250,328
Prepays	2,420	-	2,420
Total Current Assets	<u>4,093,724</u>	<u>1,177</u>	<u>4,094,901</u>
<i>Noncurrent Assets:</i>			
Capital Assets, Net	177,346	-	177,346
Total Assets	<u>\$ 4,271,070</u>	<u>\$ 1,177</u>	<u>\$ 4,272,247</u>
LIABILITIES:			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 41,169	\$ -	\$ 41,169
Deferred Revenue	34,006	-	34,006
Accrued Expenses	12,243	-	12,243
Total Current Liabilities/ Total Liabilities	<u>87,418</u>	<u>-</u>	<u>87,418</u>
NET POSITION:			
Unrestricted	4,183,652	1,177	4,184,829
Total Net Position	<u>\$ 4,183,652</u>	<u>\$ 1,177</u>	<u>\$ 4,184,829</u>

See paragraph on supplementary schedules included in auditors' report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SS4 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
COMPONENT UNITS**

Year Ended September 30, 2014

	JCLDC	JCCFDC	Total
Revenues:			
<i>Operating Revenues:</i>			
Bond Issue and Administrative Fees	\$ 855,996	\$ 750	\$ 856,746
Jefferson County Support	849,593	-	849,593
Interest from Loans Receivable	41,579	-	41,579
Miscellaneous	516	-	516
Total Operating Revenues	<u>1,747,684</u>	<u>750</u>	<u>1,748,434</u>
Expenses:			
Salary Expense	645,598	-	645,598
Office Expense	85,618	-	85,618
Professional Fees	16,712	-	16,712
Bad Debt Expense	184,002	-	184,002
Depreciation Expense	9,429	-	9,429
Other Operating Expenses	497,758	279,000	776,758
Total Operating Expenses	<u>1,439,117</u>	<u>279,000</u>	<u>1,718,117</u>
Operating Income	<u>308,567</u>	<u>(278,250)</u>	<u>30,317</u>
Non-Operating Revenues (Expenses):			
Interest Income	<u>2,923</u>	<u>57</u>	<u>2,980</u>
Total Non-Operating Revenues (Expenses)	<u>2,923</u>	<u>57</u>	<u>2,980</u>
Increase in Net Assets	311,490	(278,193)	33,297
Net Position - Beginning of Year	2,946,988	279,370	3,226,358
Prior Period Adjustment	<u>99,000</u>	-	<u>99,000</u>
Net Position, Beginning of Year as Restated	3,045,988	279,370	3,325,358
Net Position Adjustment: Transfer from JCIDA	<u>826,174</u>	-	<u>826,174</u>
Net Position - End of Year	<u>\$ 4,183,652</u>	<u>\$ 1,177</u>	<u>\$ 4,184,829</u>

See paragraph on supplementary schedules included in auditors' report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SS5 STATEMENT OF FUND NET POSITION
September 30, 2014

ASSETS:	GENERAL	REVOLVING LOAN PROGRAM	MICRO- ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 614,910	\$ -	\$ -	\$ -	\$ 614,910
Other Receivables	68,537	-	-	-	68,537
Prepaid Expense	2,000	-	-	-	2,000
Notes Receivable - Current Portion	1,192	-	-	-	1,192
Total Current Assets	<u>686,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,639</u>
<i>Restricted Assets:</i>					
Cash and Cash Equivalents	352,709	1,725,998	131,195	248,039	2,457,941
Loans Receivable-Net of Allowance of \$321,753	-	2,808,026	356,283	-	3,164,309
Total Restricted Assets	<u>352,709</u>	<u>4,534,024</u>	<u>487,478</u>	<u>248,039</u>	<u>5,622,250</u>
<i>Noncurrent Assets:</i>					
Notes Receivable -Less Current Portion	27,779	-	-	-	27,779
Capital Assets, Net	1,257,567	-	-	-	1,257,567
Total Noncurrent Assets	<u>1,285,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,285,346</u>
Total Assets	<u>2,324,694</u>	<u>4,534,024</u>	<u>487,478</u>	<u>248,039</u>	<u>7,594,235</u>
DEFERRED OUTFLOWS OF RESOURCES:					
PILOT Monies Receivable	51,632	-	-	-	51,632
LIABILITIES:					
<i>Current Liabilities:</i>					
Accounts Payable	4,365	301	-	-	4,666
Due to JCLDC	11,333	-	-	-	11,333
Note Payable - Current Portion	1,192	-	-	-	1,192
Other Current Liabilities	5,228	-	-	-	5,228
Total Current Liabilities	<u>22,118</u>	<u>301</u>	<u>-</u>	<u>-</u>	<u>22,419</u>
<i>Current Liabilities Payable From Restricted Assets:</i>					
Interest Payable - HUD	-	3,406	12	6	3,424
Total Current Liabilities Payable From Restricted Assets	<u>-</u>	<u>3,406</u>	<u>12</u>	<u>6</u>	<u>3,424</u>
<i>Noncurrent Liabilities:</i>					
Note Payable - Less Current Portion	27,779	-	-	-	27,779
Long-term Debt - Less Current Portion	180,160	-	-	-	180,160
Total Noncurrent Liabilities	<u>207,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,939</u>
Total Liabilities	<u>230,057</u>	<u>3,707</u>	<u>12</u>	<u>6</u>	<u>233,782</u>
DEFERRED INFLOWS OF RESOURCES:					
Due to Other Governments	51,632	-	-	-	51,632
NET POSITION:					
Net Investment in Capital Assets	1,257,567	-	-	-	1,257,567
Restricted for:					
Airport Corporate Park	352,709	-	-	-	352,709
Revolving Loan Program	-	4,530,317	-	-	4,530,317
Microenterprise Loan Program	-	-	487,466	-	487,466
City Loan Program	-	-	-	248,033	248,033
Total Restricted Net Position	<u>352,709.00</u>	<u>4,530,317</u>	<u>487,466</u>	<u>248,033</u>	<u>5,618,525</u>
Unrestricted	484,361	-	-	-	484,361
Total Net Position	<u>\$ 2,094,637</u>	<u>\$ 4,530,317</u>	<u>\$ 487,466</u>	<u>\$ 248,033</u>	<u>\$ 7,360,453</u>

See paragraph on supplementary schedules included in auditors' report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

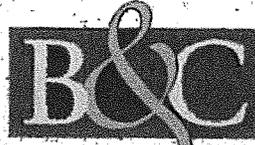
SS6 STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended September 30, 2014

	GENERAL	REVOLVING LOAN PROGRAM	MICRO- ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
REVENUES:					
<i>Operating Revenues:</i>					
Bond Issue and Administrative Fees*	\$ 641,937	\$ -	\$ -	\$ -	\$ 641,937 *
Airport Corporate Park Development	352,709	-	-	-	352,709
ICCFDC Income	279,000	-	-	-	279,000
Interest from Loans Receivable	-	113,176	15,990	470	129,636
Community Development Agreement	315,923	-	-	-	315,923
Lease Income	5,920	-	-	-	5,920
Other Operating Revenues	49,270	337	1,689	-	51,296
Total Operating Revenues	<u>1,644,759</u>	<u>113,513</u>	<u>17,679</u>	<u>470</u>	<u>1,776,421 *</u>
EXPENSES:					
<i>Operating Expenses:</i>					
Program Expense	867	43,463	25,255	-	69,585 *
Bad Debt Expense/Allowance Adjustment	89,715	198,470	30,052	-	318,237
Legal Fees	12,686	2,607	-	-	15,293
Office Expense	420	-	-	-	420
Administrative Service Agreement	855,996	-	-	-	855,996
Professional Fees	21,883	-	-	-	21,883
Insurance Expense	37,065	-	-	-	37,065
Depreciation Expense	70,553	-	-	-	70,553
Other operating Expenses	78,354	-	-	-	78,354
Total Operating Expenses	<u>1,167,539</u>	<u>244,540</u>	<u>55,307</u>	<u>-</u>	<u>1,467,386 *</u>
Operating Income	<u>477,220</u>	<u>(131,027)</u>	<u>(37,628)</u>	<u>470</u>	<u>309,035</u>
Non-Operating Revenues (Expenses):					
Interest Income	4,471	-	-	-	4,471
Grant Income	5,823	-	-	-	5,823
Grant Expended	(11,126)	-	-	-	(11,126)
Capital Lease Interest	195	-	-	-	195
Interest Expense	(195)	-	-	-	(195)
Total Non-operating Revenues (Expenses)	<u>(832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(832)</u>
Increase (Decrease) in Net Position	<u>476,388</u>	<u>(131,027)</u>	<u>(37,628)</u>	<u>470</u>	<u>308,203</u>
Net Position - Beginning of Year, as Previously Reported	<u>2,444,423</u>	<u>4,661,344</u>	<u>525,094</u>	<u>247,563</u>	<u>7,878,424</u>
Net Position Adjustment: Transfer to JCLDC	<u>(826,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(826,174)</u>
Net Position - end of year	<u>\$2,094,637</u>	<u>\$ 4,530,317</u>	<u>\$ 487,466</u>	<u>\$ 248,033</u>	<u>\$7,360,453</u>

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

Interfund Fees	\$ 68,718
Interfund Program Expenses	68,718

See paragraph on supplementary schedules included in auditors' report.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' 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, 2014, 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 15, 2014.

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.

Burns & Company

Watertown, New York
December 15, 2014



BOWERS & COMPANY
CPAs' PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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, 2014. 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, 2014.

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.

Bowers & Company

Watertown, NY
December 15, 2014

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2014

Federal Grantor/Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Passed through Jefferson County, New York		
Community Development BlockGrant (CDBG)	14.228	\$ 566,825
Total expenditures of federal awards		<u>\$ 566,825</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2014

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 Stated, 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, 2014, the loan receivable balances (net of allowance for bad debts) for the programs were as follows:

Revolving Loan Fund	\$ 2,808,026
Microenterprise Loan Fund	356,283
Watertown City Loan Fund	-
	<hr/>
	\$ 3,164,309
	<hr/>

Total new loans awarded were \$495,500 as of September 30, 2014. New loans awarded out-of-program income were \$495,500 as of September 30, 2014.

Total program income received for each loan fund program as of September 30, 2014 was as follows:

Revolving Loan Fund	\$ 527,173
Microenterprise Loan Fund	141,092
Watertown City Loan Fund	44,157
	<hr/>
	\$ 712,422
	<hr/>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2014

NOTE A – SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Jefferson County Industrial Development Agency.
2. No significant deficiencies were disclosed during 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 unmodified 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 #14.228.
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Jefferson County Industrial Development Agency was determined to be a low-risk auditee

NOTE B – FINANCIAL STATEMENT FINDINGS

There were no findings to report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2014

NOTE C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings to report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SUMMARY OF PRIOR AUDIT FINDINGS

September 30, 2014

There were no prior findings to report the status of.