

JEFFERSON COUNTY LOCAL
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

September 30, 2014

Table of Contents

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	3
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
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 <i>GOVERNMENT AUDITING STANDARDS</i>	13



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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of **JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements,

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. 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.

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

Opinion

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

Other Reporting 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 Local Development Corporation'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 Local Development Corporation's internal control over financial reporting and compliance.

Bonus & Company

Watertown, New York
December 15, 2014

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**AUDITED FINANCIAL STATEMENTS**

STATEMENT OF FINANCIAL POSITION

September 30, 2014

ASSETS		2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$	2,545,151
Loans Receivable (Net of Allowance for Bad Debt of \$206,706)		1,295,825
Loan in Escrow		200,000
Other Receivables		50,328
Prepays		<u>2,420</u>
Total Current Assets		4,093,724
Property and Equipment, Net		<u>177,346</u>
TOTAL ASSETS	\$	<u>4,271,070</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$	41,169
Deferred Revenue		34,006
Accrued Expenses		<u>12,243</u>
Total Liabilities		<u>87,418</u>
NET ASSETS		
Unrestricted Net Assets:		<u>4,183,652</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>4,271,070</u>

See notes to financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

2014

Unrestricted Support and Revenue	
Jefferson County Support	\$ 849,593
Administrative Fees	855,996
Interest on Loans Receivable	41,579
Interest Income	2,923
Miscellaneous	516
	<hr/>
Total Unrestricted Revenues and Support	1,750,607
Expenses:	
Program Services	1,187,210
General and Administrative	251,907
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Total Expenses	1,439,117
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Changes in Net Assets	311,490
Net Assets, Beginning of Year	2,946,988
Prior Period Adjustment	99,000
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Net Assets, Beginning of Year as Restated	3,045,988
Net Asset Adjustment: Transfer from JCIDA	826,174
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Net Assets, End of Year	\$ 4,183,652
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See notes to financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2014

	Program Services	General and Administrative	2014
Salaries and Wages	\$ 451,919	\$ 193,679	\$ 645,598
Office Expense	61,463	24,155	85,618
Professional Fees	-	16,212	16,212
Training and Conferences	-	16,075	16,075
Miscellaneous	2,138	1,786	3,924
Advertising	75,050	-	75,050
Grant Expense	50,500	-	50,500
Airport Development	352,709	-	352,709
Bad Debt Expense	<u>184,002</u>	<u>-</u>	<u>184,002</u>
Total Expenses Before Depreciation	1,177,781	251,907	1,429,688
Depreciation	<u>9,429</u>	<u>-</u>	<u>9,429</u>
TOTAL EXPENSES	<u><u>\$ 1,187,210</u></u>	<u><u>\$ 251,907</u></u>	<u><u>\$ 1,439,117</u></u>

See notes to financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended September 30, 2014

	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 311,490
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	9,429
Allowance Adjustment	184,002
(Increase) Decrease in:	
Accounts Receivable	58,299
Loans Receivable	(367,349)
Loan in Escrow	(200,000)
Prepaid Insurance	(1,999)
Increase in:	
Accounts Payable	30,713
Other Payables	12,244
Deferred Revenue	34,006
Net Cash Provided by Operating Activities	<u>70,835</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Property and Equipment Acquisitions	<u>(87,775)</u>
Net Cash (Used) by Investing Activities	<u>(87,775)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Transfer of Net Assets from Related Party	<u>826,174</u>
Net Cash Provided by Financing Activities	<u>826,174</u>
Net Increase in Cash and Cash Equivalents	809,234
Cash and Cash Equivalents - Beginning of Year	<u>1,735,917</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,545,151</u></u>

See notes to financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 – NATURE OF OPERATIONS

Jefferson County Local Development Corporation (the "LDC") is a non-profit organization, incorporated in New York State. The LDC was started October 1, 2009. The purpose of the LDC is to develop and cultivate a strong economic environment, which supports business and nurtures growth and new investment in the County.

The mission of the Jefferson County Local Development Corporation includes undertaking projects and programmatic initiatives in furtherance of and to advance the job opportunities, health, general prosperity and economic welfare of the people of the County.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Jefferson County Local Development Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendation of FASB Accounting Standards Codification No. 958, *Not-for-Profit Entities: Presentation of Financial Statements*. The LDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents

The LDC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Income Tax Status

The LDC is a not-for-profit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Advertising

Advertising costs are expenses as they are incurred. Advertising expense amounted to \$75,050 for the year ended September 30, 2014.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Open Tax Years

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2014, 2013, 2012 and 2011 are subject to examination by the IRS, generally for 3 years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Notes Receivable and Allowance for Loan Losses

Notes receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Management's periodic evaluation of the allowance for loan losses is based on specific criteria such as past loan loss experience, known and other risks inherent in the portfolio, cash flows, and estimated value of any underlying collateral. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries) as deemed appropriate by the LDC's internal evaluation of the allowance.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Property and equipment are recorded at cost. Jefferson County Local Development Corporation follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Category	Recovery Period Years
Equipment	5 - 10
Building	40

Statement of Cash Flows

Cash Paid During the Year For:	
Interest on Borrowed Funds	<u>\$ 822</u>

There were no noncash investing and financing activities during 2014.

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 LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 3 – LOANS RECEIVABLE

At September 30, 2014 loans receivable consisted of the following:

Loan Program	1,502,531
Less - Allowance for Loan Losses	(206,706)
Total	<u>\$ 1,295,825</u>

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

Loan Program	
Current Applications #1	\$ 53,138
Current Applications #2	171,919
Hi-Lite Group	400,000
LCO Destiny, Inc.	300,000
The Lodge at Ives Hill	155,102
WICLDC	172,372
Florelle Tissue Corporation	250,000
Total	<u>1,502,531</u>
Less - Allowance for Loan Losses	(206,706)
Total Loan Program	<u>\$ 1,295,825</u>

NOTE 4 – RELATED PARTY AGREEMENTS AND TRANSACTIONS

An agreement was executed between the Organization and the Jefferson County Industrial Development Agency (JCIDA) where the JCIDA agreed to pay the Organization for administrative/staff support. The contribution paid by the JCIDA to the Organization was \$855,996 for the year ended September 30, 2014. This agreement commenced effective August 1, 2013.

The Organization transferred \$352,709 to the JCIDA during the year ended September 30, 2014. The Organization specified that the JCIDA is to use the funds towards the Airport Corporate Park for purchase of property and other related expenses. The JCIDA has recognized the \$352,709 as restricted monies.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 5 – JEFFERSON COUNTY SUPPORT

During the year ended September 30, 2014, the Organization received unrestricted monies from Jefferson County as a result of the dissolution of the Jefferson County Agriculture Development Corporation (JCADC) and the Jefferson County Job Development Corporation (JCJDC). In addition, the Organization received Agriculture Program and Marketing grant monies from the County. The total contribution from the County for the year ended September 30, 2014 consisted of the following:

JCJDC Dissolution Surplus Funds	\$ 352,709
JCADC Dissolution Surplus Funds	90,888
Jefferson County Agriculture Program Grant	135,996
Jefferson County Marketing Grant	270,000
	<u>\$ 849,593</u>

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in financial institutions located in Watertown, NY. Interest-bearing deposits and non-interest bearing deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. The LDC's aggregate bank balances included balances not covered by depository insurance at year-end. Deposits in the amount of \$2,195,155 are collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the LDC's name. All deposits are fully collateralized as of September 30, 2014.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 7 – PROPERTY AND EQUIPMENT

Property and Equipment at September 30, 2014 consist of the following:

	2014
Equipment	\$ 99,000
Furniture and Fixtures	2,125
Work in Process – New Office	<u>85,650</u>
Total	186,775
Less: Accumulated Depreciation	<u>(9,429)</u>
Net Property and Equipment	<u>\$ 177,346</u>

NOTE 8 – NET ASSET TRANSFER

As a result of restructuring, monies in the amount of \$826,174 were transferred into the LDC's unrestricted cash accounts from Jefferson County Industrial Development Agency. As such, these amounts are recorded in the Statement of Activities as an adjustment to net assets during the year.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The distillery equipment purchased in 2012 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.



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**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**

**BOARD OF DIRECTORS
JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

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 Jefferson County Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 Local Development Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Local Development Corporation'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bannister & Company

Watertown, New York
December 15, 2014