

JEFFERSON COUNTY LOCAL
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

September 30, 2016

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 GOVERNMENT AUDITING STANDARDS	14



BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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, 2016, 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Jefferson County Local Development Corporation's September 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, 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.

Bowers & Company

Watertown, New York
November 28, 2016

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**AUDITED FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

September 30, 2016 with Comparative Totals for 2015

	ASSETS	
	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,138,828	\$ 2,739,369
Loans Receivable (Net of Allowance for Bad Debt of \$0 and \$250,000, Respectively)	1,423,105	1,638,734
Grants Receivable	29,296	40,657
Other Receivables	15	1,834
Prepays	2,169	3,105
Total Current Assets	4,593,413	4,423,699
Property and Equipment, Net	117,609	140,696
TOTAL ASSETS	\$ 4,711,022	\$ 4,564,395
CURRENT LIABILITIES		
Accounts Payable	\$ 6,536	\$ 26,509
Deferred Revenue	34,000	34,000
Accrued Expenses	35,642	29,982
Total Liabilities	76,178	90,491
NET ASSETS		
Unrestricted Net Assets	4,634,844	4,473,904
TOTAL LIABILITIES AND NET ASSETS	\$ 4,711,022	\$ 4,564,395

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016 with Summarized Totals for September 30, 2015

	2016	2015
Unrestricted Support and Revenue:		
Jefferson County Support	\$ 406,000	\$ 406,006
Grant Income	115,815	49,581
Administrative Fees	600,000	810,984
Application and Processing Fees	-	4,150
Interest on Loans Receivable	70,573	69,464
Interest Income	3,537	3,196
Miscellaneous	-	10,500
	<hr/>	<hr/>
Total Unrestricted Revenues and Support	1,195,925	1,353,881
Expenses:		
Program Services	762,327	779,714
General and Administrative	272,658	283,915
	<hr/>	<hr/>
Total Expenses	1,034,985	1,063,629
	<hr/>	<hr/>
Changes in Net Assets	160,940	290,252
Net Assets, Beginning of Year	4,473,904	4,183,652
	<hr/>	<hr/>
Net Assets, End of Year	\$ 4,634,844	\$ 4,473,904
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See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2016 with Summarized Totals for September 30, 2015

	Program Services	General and Administrative	2016	2015 (Summarized)
Salaries and Employee Benefits	\$ 466,655	\$ 199,995	\$ 666,650	\$ 689,077
Office Expense	93,363	40,013	133,376	148,116
Professional Fees	-	10,605	10,605	9,069
Training and Conferences	-	15,383	15,383	16,511
Advertising and Promotion	126,322	-	126,322	91,312
Grant Expense	56,535	-	56,535	40,657
Bad Debt Expense	-	-	-	43,294
Miscellaneous	<u>1,487</u>	<u>1,540</u>	<u>3,027</u>	<u>6,329</u>
Total Expenses Before Depreciation	744,362	267,536	1,011,898	1,044,365
Depreciation	<u>17,965</u>	<u>5,122</u>	<u>23,087</u>	<u>19,264</u>
TOTAL EXPENSES	<u><u>\$ 762,327</u></u>	<u><u>\$ 272,658</u></u>	<u><u>\$ 1,034,985</u></u>	<u><u>\$ 1,063,629</u></u>

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended September 30, 2016 with Comparative Totals for 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 160,940	\$ 290,252
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	23,087	19,264
Bad Debt Allowance Adjustment	(250,000)	43,294
(Increase) Decrease in:		
Accounts Receivable	1,819	27,955
Grants Receivable	11,360	40,157
Loans Receivable	465,629	(386,203)
Loan in Escrow	-	200,000
Prepaid Insurance	936	(685)
Increase (Decrease) in:		
Accounts Payable	(19,973)	(14,660)
Accrued Expenses	5,661	17,739
Deferred Revenue	-	(6)
Net Cash Provided by Operating Activities	<u>399,459</u>	<u>237,107</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment in Property and Equipment	<u>-</u>	<u>(42,889)</u>
Net Cash (Used) by Investing Activities	<u>-</u>	<u>(42,889)</u>
 Net Increase in Cash and Cash Equivalents	 399,459	 194,218
Cash and Cash Equivalents - Beginning of Year	<u>2,739,369</u>	<u>2,545,151</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,138,828</u>	<u>\$ 2,739,369</u>

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 with Comparative totals for 2015

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. For the years ended September 30, 2016 and 2015 the LDC reported no temporarily or permanently restricted net assets.

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.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 with Comparative totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Advertising

Advertising costs are expensed as they are incurred. Advertising expense amounted to \$126,322 and \$91,312 for the years ended September 30, 2016 and 2015, respectively.

Open Tax Years

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2016, 2015, 2014 and 2013 are subject to examination by the IRS, generally for 3 years after they were filed. Management has determined that the Organization does not have any uncertain tax positions that materially impact the financial statements or related disclosures.

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.

Loans Receivable and Allowance for Loan Losses

Loans 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.

Loans Receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. The allowance for doubtful accounts amounted to \$0 and \$250,000 for the years ended September 30, 2016 and September 30, 2015, respectively. It is the Organization's policy to charge off uncollectible loans receivable when management determines the receivable will not be collected.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 with Comparative totals for 2015

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
Furniture and Fixtures	5 - 10

Statement of Cash Flows

There were no noncash investing and financing activities during the years ended September 30, 2016 and 2015.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not included sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 with Comparative totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Date of Management's Review

Management has evaluated subsequent events through November 28, 2016, the date which the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

Loans receivable consisted of the following at September 30,

	2016	2015
Loan Program	1,423,105	1,888,734
Less - Allowance for Loan Losses	-	(250,000)
Total	<u>\$ 1,423,105</u>	<u>\$ 1,638,734</u>

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

	2016	2015
Loan Program		
AYDM Associates, Inc.	\$ 192,279	\$ 195,876
Current Applications #1	23,137	38,512
Current Applications #2	158,795	165,521
Hi-Lite Group	248,919	325,873
LCO Destiny, Inc.	500,903	600,000
The Lodge at Ives Hill	144,175	149,531
WICLDC	154,897	163,421
Florelle Tissue Corporation	-	250,000
Total	<u>1,423,105</u>	<u>1,888,734</u>
Less - Allowance for Loan Losses	-	(250,000)
Total Loan Program	<u>\$ 1,423,105</u>	<u>\$ 1,638,734</u>

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 with Comparative totals for 2015

NOTE 3 – LOANS RECEIVABLE- Continued

The aging of the loans receivables portfolio by classes as of September 30, 2016 is summarized as follows:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Current	Total Financing Receivable
Board Designated					
Loan Receivables	\$ -	\$ -	\$ -	\$ 1,423,105	\$ 1,423,105
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,423,105</u>	<u>\$ 1,423,105</u>

The aging of the loans receivables portfolio by classes as of September 30, 2015 is summarized as follows:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Current	Total Financing Receivable
Board Designated					
Loan Receivables	\$ -	\$ -	\$ -	\$ 1,638,734	\$ 1,638,734
Community Development					
Block Grant Receivable	-	-	250,000	-	250,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 1,638,734</u>	<u>\$ 1,888,734</u>

Activity in the Reserve for Bad Debts is as follows:

Balance - October 1, 2014	\$ 206,706
Bad Debt Expense	43,294
Write-offs	<u>-</u>
Balance- September 30, 2015	250,000
Bad Debt Expense	-
Write-offs	<u>(250,000)</u>
Balance- September 30, 2016	<u>-</u>

At September 30, 2016 , management determined that no allowance for bad debts was deemed necessary. The allowance at September 30, 2015 was eliminated with the write-off of an uncollectible loan during the year.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 with Comparative totals for 2015

**NOTE 4 – RELATED PARTY AGREEMENTS AND
TRANSACTIONS**

The Organization rents office space from Watertown Industrial Center LDC under a 10 year lease agreement. The current lease was executed for the period October 1, 2014 through September 30, 2024. At September 30, 2016, current monthly base rental payments are \$1,351 plus costs related to leasehold improvement debt of \$4,662. The Organization has the option to renew the lease on October 1, 2024 for an additional five years with a base monthly rent of \$3,603 per month for 12 months. Rental expense for the years ended September 30, 2016 and 2015 was \$72,336 and \$39,521, respectively.

Future minimum lease payments are:

Year Ending September 30, 2017	\$ 72,156
Year Ending September 30, 2018	72,156
Year Ending September 30, 2019	72,156
Year Ending September 30, 2020	72,432
Year Ending September 30, 2021	72,432
Thereafter	<u>217,296</u>
Total	<u>\$ 578,628</u>

An agreement was executed between the Organization and the Jefferson County Industrial Development Agency (JCIDA) where JCIDA agreed to pay the Organization for administrative/staff support. The contribution paid by the JCIDA to the Organization was \$600,000 and \$810,984 for the years ended September 30, 2016 and 2015, respectively. This agreement commenced effective August 1, 2013 and is automatically renewed. The fee is recalculated annually based on the Organization's budget.

On December 1, 2010, JCLDC loaned Watertown Industrial Center Local Development Corporation \$200,000 for roof replacement expenses. The loan matures on January 1, 2031. As of September 30, 2016 and 2015, the balance remaining on this loan was \$154,897 and \$163,421, respectively.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 with Comparative totals for 2015

NOTE 5 – JEFFERSON COUNTY SUPPORT

The Organization receives Agriculture Program and Marketing grant monies from Jefferson County. The total contributions consisted of the following for the years ended September 30:

	2016	2015
Jefferson County Agriculture Program Grant	\$ 136,000	\$ 136,006
Jefferson County Marketing Grant	270,000	270,000
	<u>\$ 406,000</u>	<u>\$ 406,006</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 \$2,840,002 and \$2,462,262, for the years ended September 30, 2016 and 2015, respectively, 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 were fully collateralized as of September 30, 2016 and 2015.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and Equipment at September 30, 2016 and 2015 consist of the following:

	2016	2015
Equipment	\$ 99,000	\$ 99,000
Furniture and Fixtures	70,389	70,389
Total	<u>169,389</u>	<u>169,389</u>
Less: Accumulated Depreciation	<u>(51,780)</u>	<u>(28,693)</u>
Net Property and Equipment	<u>\$ 117,609</u>	<u>\$ 140,696</u>

NOTE 8 – RETIREMENT PLAN

On August 1, 2013, the Organization established a 401K Profit Sharing Pension Plan. The Plan is administered by RBC Wealth Management. The employer contribution was set at 4% of the employees' annual salary. All full time employees are covered by the Plan. For the years ended September 30, 2016 and 2015, JCLDC made contributions in the amount of \$40,859 and \$84,835 respectively. Included in the 2015 contribution, was a one-time contribution of \$44,306 for the plan year 2014.



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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, 2016, 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 November 28, 2016.

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.

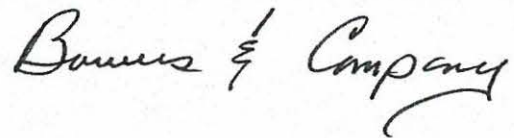
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

Watertown, New York
November 28, 2016



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

November 28, 2016

To the Board of Directors of
Jefferson County Local Development Corporation

We have audited the financial statements of Jefferson County Local Development Corporation for the year ended September 30, 2016, and have issued our report thereon dated November 28, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 25, 2016. Professional standards also require that we communicate to you the following information related to our audit.
Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jefferson County Local Development Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of whether an allowance for bad debts is necessary is based on an analysis of the collectability of the loan portfolio at year-end. We evaluated the current loan portfolio and assumptions used by management to determine the adequacy of the allowance for bad debts and whether it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation is based on the straight-line method over the capital asset's useful life. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

To the Board of Directors
Jefferson County Local Development Corporation
November 28, 2016
Page 3

This information is intended solely for the use of the Board of Directors of Jefferson County Local Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

