

JEFFERSON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF
THE COUNTY OF JEFFERSON, NEW YORK

FINANCIAL STATEMENTS

September 30, 2018

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A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jefferson County Industrial Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson County Industrial Development Agency (the Agency), a New York Public Benefit Corporation and a discretely presented component unit of the County of Jefferson, New York, as of and for the year ended September 30, 2018, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Industrial Development Agency, as of September 30, 2018, and the changes in its financial position and its cash flows 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 4-15) 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 supplemental schedules are the responsibility of management and were derived from and relate 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 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 November 30, 2018, 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 solely 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 the effectiveness of Jefferson County Industrial Development Agency's 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.

Bowers & Company

Watertown, New York
November 30, 2018

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

The following is a discussion and analysis of Jefferson County Industrial Development Agency (the Agency) for the fiscal year ended September 30, 2018. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. 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 statements, which immediately follow this section. Responsibility for completeness and fairness of the information contained rests with the Agency.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency'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 Agency's management.

This section also includes discussion and analysis of the Agency's two component units. Jefferson County Local Development Corporation issues separate audited reports which may be obtained from the 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, and provides Administrative Services to the Agency. The Organization was started October 1, 2009.

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 started April 5, 2011.

BASIC FINANCIAL STATEMENTS

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

BASIC FINANCIAL STATEMENTS - Continued

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Supplemental Information

In addition to the basic financial statements and accompanying notes, this report presents Supplemental Schedules SS-1 through SS-6 on pages 36 - 41, which are presented for purposes of additional analysis only.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2018

FINANCIAL ANALYSIS

Statement of Net Position

The Agency and its component units' assets consist primarily of cash, loans receivable, grants receivables, and capital assets, net. The restricted cash 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 uncollectible loans of \$305,967 at September 30, 2018 were \$1,031,703.

Unrestricted loans receivable at September 30, 2018 were \$1,149,145. All loans were deemed collectible and no allowance was necessary at year-end.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

FINANCIAL ANALYSIS- Continued

Statement of Net Position- Continued

The Agency and its component units' major liabilities consist of operating payables, unearned revenues, and interest payments due to HUD. Additionally, various notes payable were incurred for costs associated with the purchase and improvements to the Convergys building and improvements to the Industrial Park land.

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

Net position includes capital assets, net of depreciation and related debt of \$1,515,476, unrestricted balance of \$4,822,547 and restricted funds as follows:

Revolving Loan Funds	\$ 4,148,557
Microenterprise Loan Funds	368,266
City Loan Funds	270,661
Total Restricted Funds	<u>\$ 4,787,484</u>

Capital Assets

Capital assets are comprised of land (approximately 75 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. The Agency has also purchased approximately 101 acres adjacent to the Watertown International Airport. This land will be used to develop an Airport Industrial Park.

	2017	2018
Land and Improvements	\$ 1,085,353	\$ 1,094,321
Equipment	188,803	188,803
Building	1,738,690	1,738,690
Total Capital Assets	<u>3,012,846</u>	<u>3,021,814</u>
Less: Accumulated Depreciation	<u>1,185,309</u>	<u>1,326,178</u>
Total Capital Assets, Net	<u>\$ 1,827,537</u>	<u>\$ 1,695,636</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2018

FINANCIAL ANALYSIS - Continued

Statement of Net Position

	Years Ended September 30,	
	2017	2018
ASSETS		
Cash	\$ 7,056,471	\$ 7,748,691
Loans Receivable, Net	2,915,112	2,180,848
Notes Receivable, Current	1,571	1,719
Notes Receivable, Non-Current	23,479	21,771
Grants Receivable	20,000	50,000
Other Receivables	1,729	9,654
Capital Assets, Net	1,827,537	1,695,636
Other Assets	4,560	3,290
TOTAL ASSETS	\$ 11,850,459	\$ 11,711,609
DEFERRED OUTFLOWS OF RESOURCES	\$ 66,542	\$ 426,385
LIABILITIES		
Current Liabilities	\$ 126,740	\$ 162,397
Long-Term Liabilities	203,639	201,931
TOTAL LIABILITIES	\$ 330,379	\$ 364,328
DEFERRED INFLOWS OF RESOURCES	\$ 118,056	\$ 648,159
NET POSITION		
Net Investment in Capital Assets	\$ 1,827,537	\$ 1,515,476
Restricted	5,096,649	4,787,484
Unrestricted	4,544,380	4,822,547
TOTAL NET POSITION	\$ 11,468,566	\$ 11,125,507

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

FINANCIAL ANALYSIS - Continued

Statement of Revenues, Expenses, and Changes in Net Position

	For Years Ended September 30	
	2017	2018
Operating Revenues		
Bond Issue and Administrative Fees	\$ 263,650	\$ 381,824
Interest on Loans Receivable	139,011	111,528
Jefferson County Support	406,000	408,040
Community Development Agreement	279,427	279,427
Other Operating Revenues	40,833	42,716
Total Operating Revenue	1,128,921	1,223,535
Operating Expenses		
Project	139,754	138,914
General and Administrative	1,075,896	1,066,562
Bad Debt Expense/Allowance Adjustment	(12,760)	298,495
Depreciation	144,559	140,869
Total Operating Expenses	1,347,449	1,644,840
Net Loss from Operations	(218,528)	(421,305)
Non-Operating Revenues	34,646	78,246
CHANGE IN NET POSITION	(183,882)	(343,059)
NET POSITION, BEGINNING OF YEAR	11,652,448	11,468,566
NET POSITION, END OF YEAR	\$ 11,468,566	\$ 11,125,507

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

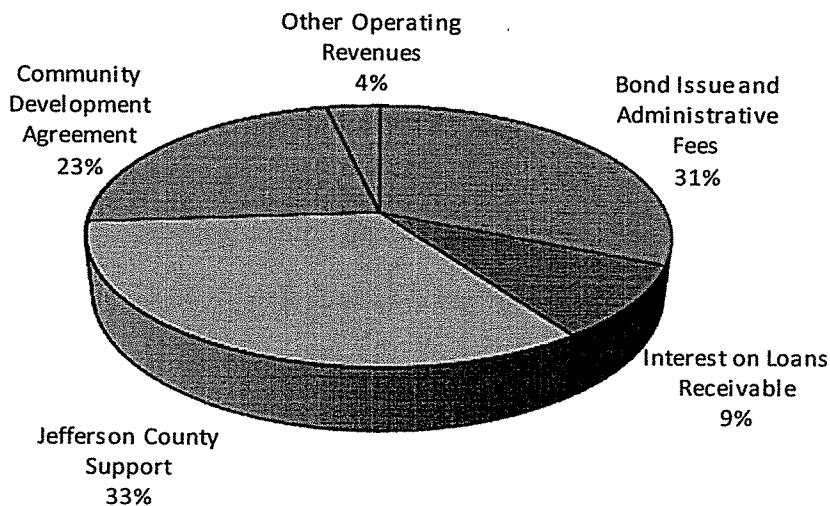
JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2018

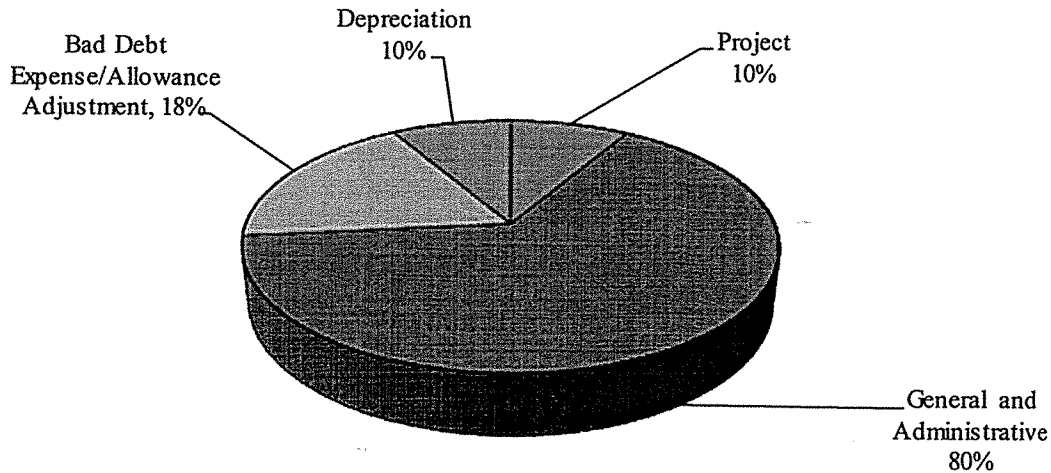
FINANCIAL ANALYSIS - Continued

Statement of Revenues, Expenses, and Changes in Net Position – Continued

Revenues



Expenses



JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

FINANCIAL ANALYSIS - Continued

Statement of Revenues, Expenses, and Changes in Net Position - Continued

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 were \$111,528. Other revenue is generated through grants for the various projects the Agency is administering. Grant income consisted of government grants passed through the Agency.

Operating expenses typically relate to the various projects the Agency is working on (other grant projects). The main operating expense is the Administrative Services Contract .

The major revenue and expense items for year ended September 30, 2018 relate to normal program operations.

The Agency's decrease in net position for 2018 was \$343,059. Which was less than originally budgeted. Total Net Position at year-end was \$11,125,507. Refer to the Statement of Revenues, Expenses, and Changes in Net Position in the combined financial statements for more detail.

OVERVIEW OF THE AGENCY'S PROJECTS

Convergys

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

In 2003, the Agency borrowed \$7,649,885 from M&T Bank in order to renovate the Woolworth building to house the new call center. This 10-year loan was repaid in full through lease payments collected by the Agency from Stream. In October 2014, the Agency negotiated a five year extension of the lease, and provided \$500,000 in capital additions to the building, enabling continued growth of the call center. In 2016, Stream was sold to Convergys who assumed the current lease, which expired September 30, 2018. The lease was renewed by Convergys, effective October 1, 2018, for an additional three year period under the same terms and conditions.

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MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

OVERVIEW OF THE AGENCY'S PROJECTS - Continued

Additionally

The Agency 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 Agency's current Industrial Park by 96 acres. The Agency 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 as of the year ended September 30, 2018. Long-term liabilities for the year ended September 30, 2018 is \$180,160 due to New York State for this project.

On September 1, 2016 the Agency entered into Amendment #5 to the Community Development Agreement for the renovation and revitalization of housing on Fort Drum. This project is in excess of \$74,000,000. The agreement grants the developer, Fort Drum Mountain Homes, relief from Sales Tax. This agreement is Phase 5 of a 50 year agreement, and provides for payment of a Community Development Fee of \$279,427 per year; the fee is shared between the County and the Agency on a 50% basis. The first payment was made January 11, 2017 and continues through January 2021.

Projects Completed During the Year Ended September 30, 2018

During the fiscal year ended September 30, 2018, we continued work to prepare the Airport Business Park for Shovel Ready designation by NYS.

We have provided a Developer with assistance in developing an Agricultural Park.

We are providing ongoing assistance in the development of a Microgrid and other alternative energy systems.

Six Microenterprise Loans were given to assist small business development.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

BUDGETARY HIGHLIGHTS

For the year ended September 30, 2018, one of the most significant factors impacting revenues was the fact that there were no significant projects requesting a PILOT agreement. The Agency generates significant revenues through fees associated with these agreements. In addition to this, the airport development project has not started due to infrastructure issues, however, the Agency has acquired several vacant parcels for future development. The entire project has gone through extensive environmental review.

It is also noted that for the year ended September 30, 2018, JCLDC waived the fee of \$569,304 for administrative support services. As a result, the Agency recorded the fee as an in-kind transaction and revenue in the amount of \$569,304 was recognized. This additional revenue recorded for in-kind services is causing a significant variance between budgeted and actual revenues. The in-kind fee revenue and expense for services are eliminated during consolidation at SS2, Combining Statement of Fund Revenues, Expenses, and Changes in Net Position.

On August 4, 2017, the Agency was awarded a Northern Border Regional Commission (NBRC) Grant. This grant is for construction of water mains, wastewater lines and road work necessary to establish a new business park adjacent to the Watertown International Airport. The total estimated cost of this project is \$7,250,700. The NBRC Grant is for \$500,000 to be awarded in the 2018-2019 fiscal year. This money will be used to cover a portion of professional fees on the project.

NYS Empire State Development Grant, \$1,121,000. Reimbursable at project completion. Covers engineering services, site prep, access road, wastewater lines, electric and gas utilities and communication cable.

US Economic Development Administration, \$703,000. Quarterly Reimbursement for site prep, water and waste water lines and communication cable.

DASNY Municipal Facilities Grant \$500,000. Reimbursable at project completion. Funding for engineering and site prep.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2018

BUDGETARY HIGHLIGHTS - Continued

	Budget	Actual	Variation
Revenue			
Administrative Fees	\$ 58,000	\$ 588,603	\$ 530,603
Community Development Agreement	279,427	279,427	-
Loan Program Fees	68,561	69,390	829
Interest Income	2,500	4,151	1,651
Late Payment Penalty	700	949	249
Convergys Maintenance Fee	18,000	16,056	(1,944)
Convergys Parking Lease	20,000	20,000	-
Grant Income	-	50,000	50,000
Other Operating Revenue	2,000	1,736	(264)
PILOT Fees	566,540	-	(566,540)
JCCFDC Transfer	-	170,000	170,000
Interest from Loan Receivable	68,200	59,228	(8,972)
Convergys Reserve	200,000	200,000	-
Total Revenue	\$ 1,283,928	\$ 1,459,540	\$ 175,612
Expenses			
Administrative Service Fees	\$ 594,302	\$ 569,304	\$ 24,998
Office Expense	143,914	140,916	2,998
Insurance Expense	17,200	23,432	(6,232)
Legal Expenses	48,500	29,049	19,451
Professional Fees	11,665	10,475	1,190
Convergys Building Maintenance	21,500	20,190	1,310
Corporate Park	1,500	2,976	(1,476)
Project	68,591	68,590	1
City/County Parking Lot	20,000	20,000	-
Depreciation	113,256	117,783	(4,527)
Bad Debt Expense/ Adjustment	243,000	298,495	(55,495)
Miscellaneous Expenses	500	2,380	(1,880)
Total Expenses	\$ 1,283,928	\$ 1,303,590	\$ (19,662)
Change in Net Position	\$ -	\$ 155,950	\$ (155,950)

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018

ECONOMIC FACTORS AND FUTURE OUTLOOK

During fiscal year 10/1/18 through 9/30/19 we anticipate participating in major improvements at the Watertown Airport, and further development of the Airport Industrial Park. The Agency currently owns 101 acres at the Airport. The Agency has received a National Grid Grant of \$125,000, and an Empire State Development Grant of \$50,000, for development of the Airport Corporate 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.

During the FYE 9/30/2016, JCLDC received a grant to study the feasibility of a MicroGrid. The study concluded it is a feasible project, we are currently working with a private developer to develop a MicroGrid.

During the year, JCLDC also received three National Grid Grants: a \$10,000 grant for Canadian Marketing, \$20,000, for European Marketing, and \$10,000 to attract Agribusiness to Jefferson County. These Grants were completed during the year and payment received.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the financial information provided in this report should be addressed to the CFO of the Agency at (315) 782-5865. General information relating to the Agency can be found at its website www.jcida.org.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

AUDITED BASIC FINANCIAL STATEMENTS

COMBINED STATEMENT OF NET POSITION

September 30, 2018

ASSETS		
CURRENT ASSETS		
Cash		\$ 2,888,623
Loans Receivable, Net		1,149,145
Grants Receivable		50,000
Other Receivables		9,654
Prepaid Expense		3,290
Note Receivable, Current Portion		1,719
Total Current Assets		<u>4,102,431</u>
RESTRICTED ASSETS		
Cash		4,860,068
Loans Receivable, Net		1,031,703
Total Restricted Assets		<u>5,891,771</u>
NONCURRENT ASSETS		
Note Receivable, Less Current Portion		21,771
Capital Assets, Net		1,695,636
Total Noncurrent Assets		<u>1,717,407</u>
TOTAL ASSETS		<u>\$ 11,711,609</u>
DEFERRED OUTFLOWS OF RESOURCES		
PILOT Monies Receivable		<u>\$ 426,385</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		\$ 16,983
Unearned Revenue		35,279
Note Payable, Current Portion		1,719
Other Current Liabilities		103,335
Total Current Liabilities		<u>157,316</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Interest Payable - HUD		5,081
Total Current Liabilities Payable From Restricted Assets		<u>5,081</u>
NONCURRENT LIABILITIES		
Note Payable, Less Current Portion		21,771
Long-Term Debt, Less Current Portion		180,160
Total Noncurrent Liabilities		<u>201,931</u>
TOTAL LIABILITIES		<u>\$ 364,328</u>
DEFERRED INFLOWS OF RESOURCES		
Due To Other Governments - PILOTS		<u>\$ 648,159</u>
NET POSITION		
Net Investment in Capital Assets		\$ 1,515,476
Restricted for:		
Other Legal Restrictions		4,787,484
Unrestricted		4,822,547
TOTAL NET POSITION		<u>\$ 11,125,507</u>

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2018

REVENUES

OPERATING REVENUES

Bond Issue and Administrative Fees	\$ 381,824
Jefferson County Support	408,040
Interest from Loans Receivable	111,528
Community Development Agreement	279,427
Lease Income	20,000
Other Operating Revenues	22,716
Total Operating Revenues	<u>1,223,535</u>

EXPENSES

OPERATING EXPENSES

Project	138,914
Salaries and Benefits	714,553
Bad Debt	298,495
Legal Fees	29,049
Office	126,341
Advertising and Promotion	86,908
Professional Fees	18,348
Insurance	23,432
Depreciation	140,869
Other Operating Expenses	67,931
Total Operating Expenses	<u>1,644,840</u>
Net Operating Loss	<u>(421,305)</u>

NON-OPERATING REVENUES

Interest Income	8,336
Grant Income	64,229
Application and Processing Fees	1,721
Miscellaneous Income	3,960
Total Non-Operating Revenues	<u>78,246</u>

CHANGE IN NET POSITION	(343,059)
NET POSITION, BEGINNING OF YEAR	<u>11,468,566</u>
NET POSITION, END OF YEAR	<u>\$ 11,125,507</u>

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

COMBINED STATEMENT OF CASH FLOWS

Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Bond Issue and Administrative Fees	\$ 343,899
Cash Received from Jefferson County	408,040
Cash Received from Interest on Loans Receivable	111,528
Cash Received from Late Payment Penalties	949
Cash Received from Loans	689,657
Cash Received from Lease Income	20,000
Cash Received from Community Development Agreement	279,427
Cash Received from Maintenance Reserve	29,131
Cash Received from Interest on Revolving Loan Funds	5,059
Cash Received from Other Operating Sources	5,711
Cash Payments to HUD for Interest on Revolving Loan Funds	(4,521)
Cash Payments for Salaries and Benefits	(714,553)
Cash Payments for Supplies of Goods and Services	(330,117)
Cash Payments for Projects	(138,914)
Cash Payments for New Loans	(253,888)
Net Cash Provided by Operating Activities	<u>451,408</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Grants Received	64,229
PILOT Payments Received	221,774
Grants Paid	(50,240)
Net Cash Provided by Noncapital Financing Activities	<u>235,763</u>

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

Additions to Capital Assets	(8,968)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (8,968)</u>

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

COMBINED STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2018

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest and Other Sources	\$ 14,017
Net Cash Provided by Investing Activities	14,017

Net Increase in Cash	692,220
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Cash, Beginning of Year	7,056,471
Cash, End of Year	\$ 7,748,691

RECONCILIATION TO STATEMENT OF NET POSITION

Cash	\$ 2,888,623
Restricted Cash	4,860,068
Total Cash	\$ 7,748,691

**RECONCILIATION OF CHANGE IN NET POSITION TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Loss	\$ (421,305)
Adjustments to Reconcile Change in Net Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	140,869
Bad Debt Expense	298,495
(Increase) Decrease in:	
Loans Receivable	435,769
Grants Receivable	(28,271)
Other Receivables	(9,654)
Prepaid Expenses	1,270
Increase (Decrease) in:	
Accounts Payable	(7,071)
Unearned Revenue	1,279
Interest Payable	(377)
Other Liabilities	40,404
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 451,408

See notes to audited basic financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Description

The Jefferson County Industrial Development Agency (the 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 the County of Jefferson, New York (the County). The Agency is exempt from federal, state and local income taxes. The Agency, although established by the County, is a separate entity and operates independently of the County. The U.S. Department of Housing and Urban Development (HUD) is the cognizant agency.

Reporting Entity

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

Blended Component Units

The JCLDC and JCCFDC are component units of the Agency. The JCLDC issues separate audited financial statements. Copies of reports may be obtained from the Agency.

The JCLDC was started to develop and cultivate a strong economic environment, which supports businesses and nurtures growth and new investment in the County. The JCLDC was started October 1, 2009. The financial activity of the JCLDC is combined with the financial activity of the Agency since their respective Boards are substantially the same and due to the nature of their relationship.

The 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 JCCFDC was approved by the Jefferson County Board of Legislators on April 5, 2011. The financial activity of the JCCFDC is combined with the financial activity of the Agency since their respective Boards are substantially the same and due to the nature of their relationship.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2018

**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.

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 – net investment in capital assets; restricted; and unrestricted.

These classifications are defined as follows:

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

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

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

Restricted Net Position - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Agency.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. The Agency reported no cash equivalents for the year ended September 30, 2018.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated at unpaid principal balance. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2018

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

Loans Receivable and Allowance for Loan Losses – Continued

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 loan losses based on its assessment of the current status of individual accounts. It is the Agency's policy to charge of uncollectible loans receivable when management determines the receivable will not be collected.

Other Receivables

Other receivables at year-end consist of grants receivable and accounts receivable. Grants receivable represent amounts that have been billed under grant agreements but not collected as of the date of the financial statements. Grants receivable are stated at the amount management expects to be collected from the outstanding balance. As of September 30, 2018, management has determined based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Capital Assets

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital assets accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture & Equipment	\$1,000	Straight-line	5-10
Building	1,000	Straight-line	10

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

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 will sometimes report 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. Management has determined that the Organization does not have any uncertain tax positions.

Date of Management's Review

Management has evaluated subsequent events through November 30, 2018, the date which the financial statements were available to be issued.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

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	\$ <u> -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name.	\$ <u> 6,765,817</u>

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, 2018 loans receivable consisted of the following:

Unrestricted:	
JCLDC Revolving Loan Fund Program	\$ 1,149,145
Restricted:	
Revolving Loan Program	611,035
Microenterprise Loan Program	227,503
City Loan Program	193,165
Total Loans Receivable	<u>\$ 2,180,848</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 3 - LOANS RECEIVABLE - Continued

Loans – JCLDC Revolving Loan Fund Program

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 County area and help spur job creation and retention in the area. At September 30, 2018, there has been no reserve for uncollectible loans established based on management's judgment.

Revolving Loan Fund Program

The Agency has established a Revolving Loan Fund 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 uncollectible loans in order to provide a fairer presentation of its loans receivable. The allowance of \$275,325 at September 30, 2018 was based on the Agency's historical average percentage of accounts written off over the last three years and management's judgment.

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 uncollectible loans in order to provide a fairer presentation of its loans receivable. The allowance of \$30,642 at September 30, 2018 was based on the Agency's historical average percentage of accounts written off over the last three years and management's judgment.

City Loan Program

The City Loan Program was established to provide working capital for local businesses and create 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, 2018, there has been no reserve for uncollectible loans established based on management's judgment.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 3 - LOANS RECEIVABLE - Continued

The following is a schedule of the outstanding loans receivable under the JCLDC Revolving Loan Fund program at September 30, 2018:

JCLDC Revolving Loan Fund Program

ADYM Associates, Inc.	\$ 183,010
Current Applications #2	144,294
Hi-Lite Markings	86,097
LCO Destiny LLC	268,294
North Branch Farms	100,000
The Lodge at Ives Hill	131,540
WICLDC	137,828
WICLDC #2	98,082
Total JCLDC Revolving Loan Fund Program	<u>\$ 1,149,145</u>

The following is a schedule of the outstanding Revolving Loan Fund receivable at September 30, 2018:

Revolving Loan Program:

Benchmark Family Services	\$ 170,417
Hi-Lite Markings	134,572
LCO Destiny LLC	85,497
Meadowbrook Terrace	132,045
MLR, LLC	24,303
MLR, LLC	131,096
Wright Bros. LLC	208,430
Total	<u>886,360</u>
Less - Allowance for Bad Loans	<u>(275,325)</u>
Total Revolving Loans Receivable	<u>\$ 611,035</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 3 - LOANS RECEIVABLE - Continued

Activity in the Revolving Loan Fund Reserve for Bad Debts is as follows:

Balance - October 1, 2017	\$	196,244
Recovery		5,654
Bad Debt Expense/Adjustment		269,547
Write-Offs		(196,120)
		(196,120)
Balance - September 30, 2018	\$	275,325

The following is a schedule of the outstanding Microenterprise Loan Program receivable at September 30, 2018:

Microenterprise Loan Program:

Dan. B Simpson	\$	27,776
Lyric Enterprises		3,637
Main Street Crafts and Drafts		7,365
Medical Gas Technologies		15,837
Mr. Rick's Bakery		14,456
Mr. Rick's Bakery		18,816
Painful Acres		37,579
RC Spot LLC		29,894
Sackets Harbor Trading Co.		10,498
Scrub Hub		17,553
Serve-Pro		13,372
Taste of Design		23,134
Thousand Islands Habitat for Humanity		38,228
Total		258,145
Less - Allowance for Bad Loans		(30,642)
Total Microenterprise Loans Receivable	\$	227,503

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - LOANS RECEIVABLE - Continued

Activity in the Microenterprise Loan Fund Reserve for Bad Debts is as follows:

Balance - October 1, 2017	\$	22,000
Recovery		147
Bad Debt Expense/Adjustment		28,948
Write-Offs		(20,453)
		(20,453)
Balance - September 30, 2018	\$	30,642

The following is a schedule of the outstanding City Loan Program receivable at September 30, 2018:

City Loan Program		
Current Applications	\$	193,165

The aging of loans receivable portfolio by classes as of September 30, 2018 is summarized as follows:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Current	Total Loans Receivable
Revolving Loan Fund					
Loans Receivable	\$ -	\$ -	\$ -	\$ 886,360	\$ 886,360
Microenterprise					
Loans Receivable	23,134	-	10,498	224,513	258,145
City Loan Program					
Loans Receivable	-	-	-	193,165	193,165
JCLDC RLF					
Loans Receivable	-	-	-	1,149,145	1,149,145
	\$ 23,134	\$ -	\$ 10,498	\$2,453,183	\$ 2,486,815

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 4 – NOTE RECEIVABLE/NOTE PAYABLE

Note receivable/note payable consisted of the following at September 30, 2018:

Note due from Kenneth Rogers - monthly payments of \$314.91, including interest at 9%, due 12/1/27	\$ 23,479
Less - Current Portion	(1,719)
Non-Current Portion	<u>\$ 21,771</u>

Income will be recognized as payments are received on this note.

NOTE 5 – RESTRICTED ASSETS

Restricted cash, which is invested in interest-bearing and non-interest bearing accounts, consisted of the following at September 30, 2018:

Revolving Loan Fund	\$ 3,542,581
Microenterprise Loan Fund	140,783
City Loan Fund	77,498
PILOT Program	253,711
Capital Improvement Reserve	<u>845,495</u>
 Total Restricted Cash	 <u>\$ 4,860,068</u>

Capital Improvement Reserve

The Agency, as a term to a lease agreement with Convergys (the Company), has established a Capital Improvement Reserve. Annual payments of \$200,000 are made by the Company to fund the reserve. As of September 30, 2018, the cash balance reserve is \$845,495. These funds are considered restricted by the Board.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 5 – RESTRICTED ASSETS - Continued

PILOT Program

The Agency, as a pass-through party for various PILOT agreements, received PILOT payments through year-end that are due to other governments. As of September 30, 2018, the cash balance of the PILOT monies received was \$253,711.

Loan Programs

In addition to restricted cash, the Agency's has three loan programs in which the loan receivable balances are also considered restricted as of year-end. 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 and are reported as restricted assets. The restricted assets are used to improve economic development in the County. Refer to Note 3 for the year-end balances for each of the restricted loan programs.

NOTE 6 – LAND

The Agency has purchased land in order to establish an Industrial Park to encourage new businesses to settle in the County. Land was sold to various businesses throughout the years, and at September 30, 2018 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. The Agency purchased additional land during the years ended September 30, 2014 and 2015 to establish an AirPark . The parcels of land are approximately 73 acres at a cost of \$32,965 per acre. See Capital Assets – Note 7 for details.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 7 – CAPITAL ASSETS

Capital assets at September 30, 2018 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets That Are Not Depreciated:				
Land and Improvements	\$ 1,085,353	\$ 8,968	\$ -	\$ 1,094,321
Total Nondepreciable Assets	1,085,353	8,968	-	1,094,321
Capital Assets That Are Depreciated:				
Equipment	188,803	-	-	188,803
Building	1,738,690	-	-	1,738,690
Total Depreciable Assets	1,927,493	-	-	1,927,493
Less: Accumulated Depreciation	1,185,309	140,869	-	1,326,178
Total Depreciated Assets, Net	742,184	(140,869)	-	601,315
Capital Assets, Net	<u>\$ 1,827,537</u>	<u>\$ (131,901)</u>	<u>\$ -</u>	<u>\$ 1,695,636</u>

NOTE 8 – 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. Amounts billed by the Agency and not received as of year-end are reported as deferred outflows of resources in the accompanying statement of net position. PILOT monies receivable for the year ended September 30, 2018 are \$426,385.

PILOT monies received through year-end but not yet paid out to taxing jurisdictions and PILOT monies receivable at year-end that represent future PILOT payments are reported as deferred inflows of resources in the accompanying statement of net position. Due to other governments are PILOT amounts due to the taxing jurisdictions. Future PILOT payments for the year ended September 30, 2018 are \$648,159.

The Agency reports no revenues or expenses related to PILOT programs as amounts are only passed-through the Agency.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 9 – LONG-TERM DEBT

The following notes payable were in effect at September 30, 2018:

New York State Department of Transportation - grant repayment of 40% of Industrial Access project - payments to start one year from project completion - project is completed, but not yet approved, at September 30, 2018: \$ 180,160

The future principal payments on the notes payable as of September 30, 2018 are summarized as follows:

Year Ending September 30	Principal	Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
Thereafter	<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:

	October 1, 2017	Additions	Reductions	September 30, 2018
Notes Payable	<u>\$ 180,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,160</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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, 2018, the Agency had no commitments for loans that have not been completed as of year-end.

Federal and State Grant Programs

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

As of September 30, 2018, 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.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

September 30, 2018

**NOTE 11 – RELATED PARTY AGREEMENTS AND
TRANSACTIONS**

The Agency has a renewable agreement with the JCLDC to provide professional staffing and administrative support services. For the year ended September 30, 2018, the fee of \$569,304 was waived by the LDC and the Agency recognized the fee as an in-kind transaction for the services provided under the agreement. The in-kind fee revenue and expense for services are eliminated during consolidation at SS2, Combining Statement of Fund Revenues, Expenses, and Changes in Net Position.

Jefferson County Civic Facility Development issues certain bonds on the Agency's behalf that the Agency is not permitted to issue. JCCFDC transfers one percent on any bonds issued up to \$10 million, and .25% on any bonds issued above \$10 million. In the current year, JCCFDC transferred \$170,000 to the Agency.

NOTE 12 – 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 13 – PENSION PLAN

On August 1, 2013, Jefferson County Local Development Corporation established a 401K Profit Sharing Pension Plan. The Plan is administered by RBC Wealth Management. The employer contribution is set at 4% of the employees' annual salary. All full-time employees are covered by the Plan. For the year ended September 30, 2018, JCLDC made contributions in the amount of \$42,564.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

SUPPLEMENTAL SCHEDULES AND ADDITIONAL INFORMATION

SS1 COMBINING STATEMENT OF FUND NET POSITION

September 30, 2018

ASSETS	JCIDA	Component		TOTAL
		Units	Eliminations	
Current Assets:				
Cash	\$ 370,222	\$ 2,518,401	\$ -	\$ 2,888,623
Loans Receivable, Net	-	1,149,145	-	1,149,145
Grants Receivable	50,000	-	-	50,000
Other Receivables	9,654	-	-	9,654
Prepaid Expense	-	3,290	-	3,290
Note Receivable, Current Portion	1,719	-	-	1,719
Total Current Assets	431,595	3,670,836	-	4,102,431
Restricted Assets:				
Cash	4,860,068	-	-	4,860,068
Loans Receivable, Net	1,031,703	-	-	1,031,703
Total Restricted Assets	5,891,771	-	-	5,891,771
Noncurrent Assets:				
Note Receivable, Less Current Portion	21,771	-	-	21,771
Capital Assets, Net	1,624,199	71,437	-	1,695,636
Total Noncurrent Assets	1,645,970	71,437	-	1,717,407
TOTAL ASSETS	\$ 7,969,336	\$ 3,742,273	\$ -	\$ 11,711,609
DEFERRED OUTFLOWS OF RESOURCES				
PILOT Monies Receivable	\$ 426,385	\$ -	\$ -	\$ 426,385
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 9,589	\$ 7,394	\$ -	\$ 16,983
Unearned Revenue	-	35,279	-	35,279
Note Payable, Current Portion	1,719	-	-	1,719
Other Current Liabilities	66,007	37,328	-	103,335
Total Current Liabilities	77,315	80,001	-	157,316
Current Liabilities Payable From Restricted Assets:				
Interest Payable - HUD	5,081	-	-	5,081
Total Current Liabilities Payable From Restricted Assets	5,081	-	-	5,081
Noncurrent Liabilities:				
Note Payable, Less Current Portion	21,771	-	-	21,771
Long-term Debt, Less Current Portion	180,160	-	-	180,160
Total Noncurrent Liabilities	201,931	-	-	201,931
TOTAL LIABILITIES	\$ 284,327	\$ 80,001	\$ -	\$ 364,328
DEFERRED INFLOWS OF RESOURCES				
Due to Other Governments - Pilots	\$ 648,159	\$ -	\$ -	\$ 648,159
NET POSITION				
Net Investment in Capital Assets	\$ 1,444,039	\$ 71,437	\$ -	\$ 1,515,476
Restricted for:				
Revolving Loan Program	4,148,557	-	-	4,148,557
Microenterprise Loan Program	368,266	-	-	368,266
City Loan Program	270,661	-	-	270,661
Total Restricted Net Position	4,787,484	-	-	4,787,484
Unrestricted	1,231,712	3,590,835	-	4,822,547
TOTAL NET POSITION	\$ 7,463,235	\$ 3,662,272	\$ -	\$ 11,125,507

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

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

Year Ended September 30, 2018

	JCIDA	Component Units	Eliminations	Total
REVENUES				
Operating Revenues:				
Bond Issue and Administrative Fees*	\$ 454,714	\$ 166,500	\$ (239,390)	\$ 381,824
Jefferson County Support	-	408,040	-	408,040
Interest from Loans Receivable	59,228	52,300	-	111,528
Community Development Agreement	279,427	-	-	279,427
Lease Income	20,000	-	-	20,000
Other Operating Revenues*	592,020	-	(569,304)	22,716
Total Operating Revenues	<u>1,405,389</u>	<u>626,840</u>	<u>(808,694)</u>	<u>1,223,535</u>
EXPENSES				
Operating Expenses:				
Project *	208,304	-	(69,390)	138,914
Salaries and Benefits	-	714,553	-	714,553
Bad Debt	298,495	-	-	298,495
Legal Fees	29,049	-	-	29,049
Office	1,202	125,139	-	126,341
Advertising and Promotion	-	86,908	-	86,908
Administrative Service Agreement*	569,304	-	(569,304)	-
Professional Fees	10,475	7,873	-	18,348
Insurance	23,432	-	-	23,432
Depreciation	117,783	23,086	-	140,869
Bond Issue and Administrative Fees	-	170,000	(170,000)	-
Other Operating Expenses*	45,546	22,385	-	67,931
Total Operating Expenses	<u>1,303,590</u>	<u>1,149,944</u>	<u>(808,694)</u>	<u>1,644,840</u>
Operating Income (Loss)	<u>101,799</u>	<u>(523,104)</u>	<u>-</u>	<u>(421,305)</u>
NON-OPERATING REVENUES				
Grant Income	50,000	14,229	-	64,229
Interest Income	4,151	4,185	-	8,336
Application and Processing Fees	-	1,721	-	1,721
Miscellaneous Income	-	3,960	-	3,960
Total Non-Operating Revenues	<u>54,151</u>	<u>24,095</u>	<u>-</u>	<u>78,246</u>
CHANGE IN NET POSITION	<u>155,950</u>	<u>(499,009)</u>	<u>-</u>	<u>(343,059)</u>
NET POSITION, BEGINNING OF YEAR	<u>7,307,285</u>	<u>4,161,281</u>	<u>-</u>	<u>11,468,566</u>
NET POSITION, END OF YEAR	<u>\$7,463,235</u>	<u>\$3,662,272</u>	<u>\$-</u>	<u>\$11,125,507</u>

* Amounts reported in the Combined Statement of Revenues, Expenses and Changes in Net Position do not include interfund fees, program expenses and administrative fees.

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

SS3 STATEMENT OF FUND NET POSITION – COMPONENT UNITS

September 30, 2018

ASSETS			
	JCLDC	JCCFDC	TOTAL
CURRENT ASSETS			
Cash	\$ 2,512,584	\$ 5,817	\$ 2,518,401
Loans Receivable	1,149,145	-	1,149,145
Prepaid Expenses	3,290	-	3,290
Total Current Assets	<u>3,665,019</u>	<u>5,817</u>	<u>3,670,836</u>
CAPITAL ASSETS, NET	<u>71,437</u>	<u>-</u>	<u>71,437</u>
TOTAL ASSETS	<u>\$ 3,736,456</u>	<u>\$ 5,817</u>	<u>\$ 3,742,273</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 7,394	\$ -	\$ 7,394
Unearned Revenue	35,279	-	35,279
Accrued Expenses	37,328	-	37,328
Total Liabilities	<u>80,001</u>	<u>-</u>	<u>80,001</u>
NET POSITION			
Unrestricted:			
Undesignated	<u>3,656,455</u>	<u>5,817</u>	<u>3,662,272</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,736,456</u>	<u>\$ 5,817</u>	<u>\$ 3,742,273</u>

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

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

Year Ended September 30, 2018

	JCLDC	JCCFDC	TOTAL
REVENUES			
Operating Revenues:			
Bond Issue and Administrative Fees	\$ -	\$ 166,500	\$ 166,500
Jefferson County Support	408,040	-	408,040
Interest from Loans Receivable	52,300	-	52,300
Total Operating Revenues	<u>460,340</u>	<u>166,500</u>	<u>626,840</u>
EXPENSES			
Salaries and Benefits	714,553	-	714,553
Office	125,139	-	125,139
Advertising and Promotion	86,908	-	86,908
Professional Fees	7,873	-	7,873
Depreciation	23,086	-	23,086
Bond Issue and Administrative Fees	-	170,000	170,000
Other Operating Expenses	22,385	-	22,385
Total Operating Expenses	<u>979,944</u>	<u>170,000</u>	<u>1,149,944</u>
Net Operating Loss	<u>(519,604)</u>	<u>(3,500)</u>	<u>(523,104)</u>
NON-OPERATING REVENUES			
Grant Income	14,229	-	14,229
Application and Processing Fees	1,721	-	1,721
Miscellaneous Income	3,960	-	3,960
Interest Income	4,185	-	4,185
Total Non-Operating Revenues	<u>24,095</u>	<u>-</u>	<u>24,095</u>
CHANGE IN NET POSITION	(495,509)	(3,500)	(499,009)
NET POSITION, BEGINNING OF YEAR	<u>4,151,964</u>	<u>9,317</u>	<u>4,161,281</u>
NET POSITION, END OF YEAR	<u>\$ 3,656,455</u>	<u>\$ 5,817</u>	<u>\$ 3,662,272</u>

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

SS5 STATEMENT OF FUND NET POSITION

September 30, 2018

ASSETS	GENERAL	REVOLVING LOAN PROGRAM	MICRO- ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
Current Assets:					
Cash	\$ 370,222	\$ -	\$ -	\$ -	\$ 370,222
Grants Receivable	50,000	-	-	-	50,000
Other Receivables	9,654	-	-	-	9,654
Notes Receivable, Current Portion	1,719	-	-	-	1,719
Total Current Assets	<u>431,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,595</u>
Restricted Assets:					
Cash	1,099,206	3,542,581	140,783	77,498	4,860,068
Loans Receivable, Net	-	611,035	227,503	193,165	1,031,703
Total Restricted Assets	<u>1,099,206</u>	<u>4,153,616</u>	<u>368,286</u>	<u>270,663</u>	<u>5,891,771</u>
Noncurrent Assets:					
Notes Receivable, Less Current Portion	21,771	-	-	-	21,771
Capital Assets, Net	1,624,199	-	-	-	1,624,199
Total Noncurrent Assets	<u>1,645,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,645,970</u>
TOTAL ASSETS	<u>\$ 3,176,771</u>	<u>\$ 4,153,616</u>	<u>\$ 368,286</u>	<u>\$ 270,663</u>	<u>\$ 7,969,336</u>
DEFERRED OUTFLOWS OF RESOURCES					
PILOT Monies Receivable	\$ 426,385	\$ -	\$ -	\$ -	\$ 426,385
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 9,589	\$ -	\$ -	\$ -	\$ 9,589
Note Payable, Current Portion	1,719	-	-	-	1,719
Other Current Liabilities	66,007	-	-	-	66,007
Total Current Liabilities	<u>77,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,315</u>
Current Liabilities Payable From Restricted Assets:					
Interest Payable - HUD	-	5,059	20	2	5,081
Total Current Liabilities Payable From Restricted Assets	<u>-</u>	<u>5,059</u>	<u>20</u>	<u>2</u>	<u>5,081</u>
Noncurrent Liabilities:					
Note Payable, Less Current Portion	21,771	-	-	-	21,771
Long-Term Debt, Less Current Portion	180,160	-	-	-	180,160
Total Noncurrent Liabilities	<u>201,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,931</u>
TOTAL LIABILITIES	<u>\$ 279,246</u>	<u>\$ 5,059</u>	<u>\$ 20</u>	<u>\$ 2</u>	<u>\$ 284,327</u>
DEFERRED INFLOWS OF RESOURCES					
Due to Other Governments - Pilots	\$ 648,159	\$ -	\$ -	\$ -	\$ 648,159
NET POSITION					
Net Investment in Capital Assets	\$ 1,444,039	\$ -	\$ -	\$ -	\$ 1,444,039
Restricted for:					
Revolving Loan Program	-	4,148,557	-	-	4,148,557
Microenterprise Loan Program	-	-	368,266	-	368,266
City Loan Program	-	-	-	270,661	270,661
Total Restricted Net Position	<u>-</u>	<u>4,148,557</u>	<u>368,266</u>	<u>270,661</u>	<u>4,787,484</u>
Unrestricted:					
Capital Improvement Reserve	845,496	-	-	-	845,496
Unrestricted	386,216	-	-	-	386,216
Total Unrestricted Net Position	<u>1,231,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,231,712</u>
TOTAL NET POSITION	<u>\$ 2,675,751</u>	<u>\$ 4,148,557</u>	<u>\$ 368,266</u>	<u>\$ 270,661</u>	<u>\$ 7,463,235</u>

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

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF JEFFERSON, NY

SS6 STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended September 30, 2018

	GENERAL	REVOLVING LOAN PROGRAM	MICRO- ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
REVENUES					
Operating Revenues:					
Bond Issue and Administrative Fees	\$ 454,714	\$ -	\$ -	\$ -	\$ 454,714
Interest from Loans Receivable	-	42,677	8,379	8,172	59,228
Community Development Agreement	279,427	-	-	-	279,427
Lease Income	20,000	-	-	-	20,000
Other Operating Revenues	591,071	659	290	-	592,020
Total Operating Revenues	<u>1,345,212</u>	<u>43,336</u>	<u>8,669</u>	<u>8,172</u>	<u>1,405,389</u>
EXPENSES					
Operating Expenses:					
Project	139,714	43,423	25,167	-	208,304
Bad Debt	-	269,547	28,948	-	298,495
Legal Fees	26,792	1,118	1,139	-	29,049
Office	1,202	-	-	-	1,202
Administrative Service Agreement	569,304	-	-	-	569,304
Professional Fees	10,475	-	-	-	10,475
Insurance	23,432	-	-	-	23,432
Depreciation	117,783	-	-	-	117,783
Other Operating Expenses	45,546	-	-	-	45,546
Total Operating Expenses	<u>934,248</u>	<u>314,088</u>	<u>55,254</u>	<u>-</u>	<u>1,303,590</u>
Operating Income (Loss)	<u>410,964</u>	<u>(270,752)</u>	<u>(46,585)</u>	<u>8,172</u>	<u>101,799</u>
NON-OPERATING REVENUES					
Grant Income	50,000	-	-	-	50,000
Interest Income	4,151	-	-	-	4,151
Total Non-Operating Revenues	<u>54,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,151</u>
CHANGE IN NET POSITION	465,115	(270,752)	(46,585)	8,172	155,950
NET POSITION, BEGINNING OF YEAR	<u>2,210,636</u>	<u>4,419,309</u>	<u>414,851</u>	<u>262,489</u>	<u>7,307,285</u>
NET POSITION, END OF YEAR	<u>\$ 2,675,751</u>	<u>\$ 4,148,557</u>	<u>\$ 368,266</u>	<u>\$ 270,661</u>	<u>\$ 7,463,235</u>

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



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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Jefferson County Industrial Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson County Industrial Development Agency (the Agency), a New York Public Benefit Corporation and a discretely presented component unit of the County of Jefferson, New York, as of and for the year ended September 30, 2018, 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 November 30, 2018.

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.

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1120 Commerce Park Drive East, Watertown, NY 13601 Phone: 315.788.7690 • Fax: 315.788.0966

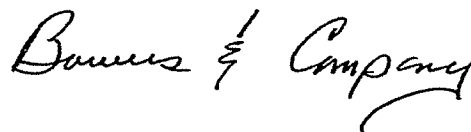
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.

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

Watertown, New York
November 30, 2018



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2018 INVESTMENT REPORT

BOARD OF DIRECTORS

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

The Jefferson County Industrial Development Agency had no investments to report in 2018.

A handwritten signature in black ink, appearing to read 'D. C. Alexander', written over a horizontal line.

Donald C. Alexander, Chief Executive Officer
November 30, 2018