JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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

FINANCIAL STATEMENTS

September 30, 2017

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

BOWERS & COMPANY
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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jefferson County Industrial Development Agency

We have audited the accompanying financial statements of Jefferson County Industrial Development Agency ("the Agency"), a 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, 2017, 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.

Auditors' 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 auditors' 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, 2017, 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, 2017, on our consideration of Jefferson County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County Industrial Development Agency's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
November 30, 2017

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

The following is a discussion and analysis of Jefferson County Industrial Development Agency (JCIDA) (the "Agency") for the fiscal year ended September 30, 2017. 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.

OVERVIEW OF FINANCIAL STATEMENTS

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

This section also includes discussion and analysis of the Agency's two component units. Jefferson County Local Development Agency 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 JCIDA. 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 JCIDA's finances, in a manner similar to a private-sector business.

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

BASIC FINANCIAL STATEMENTS - Continued

The *statement of net position* presents information on all the Agency's assets and liabilities, with the difference between the two reported as net 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 34 - 39, which are presented for purposes of additional analysis only.

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

FINANCIAL ANALYSIS

Statement of Net Position

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

- **Revolving Loan Program**—this program generally provides loans up to about $250,000. In extenuating circumstances, larger loans have been made. The interest rate is typically below market and the term ranges from 1 year to 20 years. Usually, the loan dollar amount caps at 40% of the total project costs. These loans are considered to be restricted.

- **Microenterprise Loan Program**—this program generally provides loans up to $40,000. It is designed for smaller projects for businesses employing five or fewer people. Some or all of the employees need to be in the low to moderate-income levels as defined by the federal government. These loans are considered to be restricted.

- **City Loan Program**—this program is designed for projects located in the City of Watertown. These loans are considered to be restricted.

- **Board Designated Loans**—the JCLDC has established a loan program to make loans for economic development in the Jefferson County area. These loans are considered to be unrestricted.

Restricted loans receivable, net of the allowance for bad loans of $218,244, at September 30, 2017 were $1,635,865.

Unrestricted loans receivable at September 30, 2017 were $1,279,247. All were deemed collectible and no allowance was necessary at year-end.

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

FINANCIAL ANALYSIS- Continued

Statement of Net Position- Continued

JCIDA and its component units' major liabilities consist of operating payables, deferred revenues, and interest payments due to HUD. Additionally, various notes payable were incurred for costs associated with the purchase and improvements to the 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 JCIDA.

Net position includes capital assets, net of depreciation and related debt of $1,827,537, unrestricted balance of $4,544,380 and restricted funds as follows:

Revolving Loan Funds	$ 4,419,309
Microenterprise Loan Funds	414,851
City Loan Funds	262,489
	$ 5,096,649

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 60 acres adjacent to the Watertown International Airport. This land will be used to develop an Airport Industrial Park.

	2016	2017
Land and Improvements	$ 862,189	$ 1,085,353
Equipment	188,803	188,803
Building	1,738,690	1,738,690
Total Capital Assets	2,789,682	3,012,846
Less: Accumulated Depreciation	1,040,750	1,185,309
Total Capital Assets, Net of Depreciation	$ 1,748,932	$ 1,827,537

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

FINANCIAL ANALYSIS - Continued

Statement of Net Position

	Years Ended September 30, 2016	2017
Assets		
Cash and Cash Equivalents	$ 6,720,642	$ 7,056,471
Loans Receivable - Net of Allowance	3,430,082	2,915,112
Notes Receivable, Current	1,437	1,571
Notes Receivable, Non-Current	25,039	23,479
Other Receivables	30,241	21,729
Capital Assets, Net of Depreciation	1,748,932	1,827,537
Other Assets	4,175	4,560
Total Assets	11,960,548	11,850,459
Deferred Outflows of Resources	107,437	66,542
Liabilities		
Current Liabilities	102,901	126,740
Long-term Liabilities	205,199	203,639
Total Liabilities	308,100	330,379
Deferred Inflows of Resources	107,437	118,056
Net Position		
Net Investment in Capital Assets	1,748,932	1,827,537
Restricted	5,080,857	5,096,649
Unrestricted	4,822,659	4,544,380
Total Net Position	$ 11,652,448	$ 11,468,566

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

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

FINANCIAL ANALYSIS - Continued

Statement of Revenues, Expenses, and Changes in Net Position

	For Years Ended September 30	
	2016	**2017**
Operating Revenues		
Bond Issue and Administrative Fees	$ 357,020	$ 263,650
Interest on Loans Receivable	177,923	139,011
Jefferson County Support	406,000	406,000
Community Development Agreement	315,923	279,427
Other Operating Revenues	80,654	40,833
Total Operating Revenue	1,337,520	1,128,921
Operating Expenses		
Program Expense	5,329	139,754
General and Administrative	1,075,629	1,075,896
Bad Debt Expense/Allowance Adjustment	42,891	(12,760)
Depreciation	160,014	144,559
Total Operating Expenses	1,283,863	1,347,449
Income (Loss) from Operations	53,657	(218,528)
Non-operating Revenues	66,241	34,646
Changes in Net Position	119,898	(183,882)
Net Position, Beginning of Year	11,532,550	11,652,448
Net Position, End of Year	$ 11,652,448	$ 11,468,566

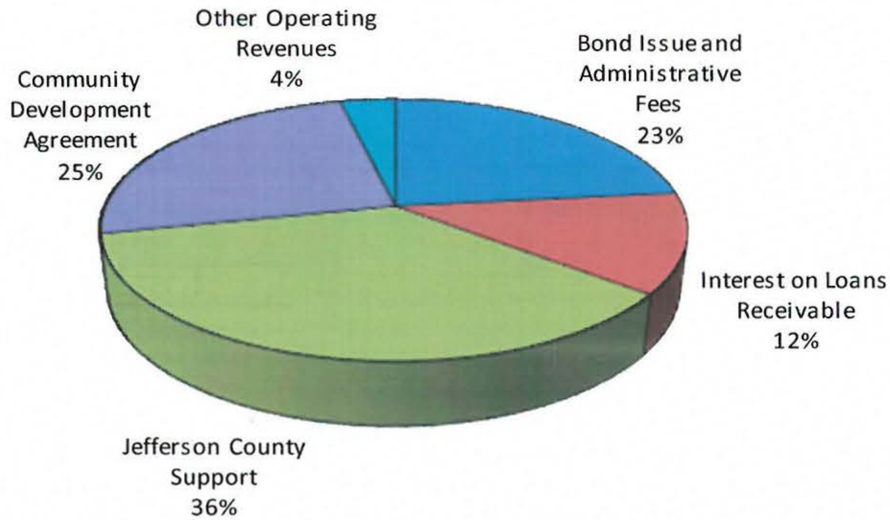
Refer to the Statement of Revenues, Expenses, and Changes in Net Position in the combined financial statements for more detail.

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

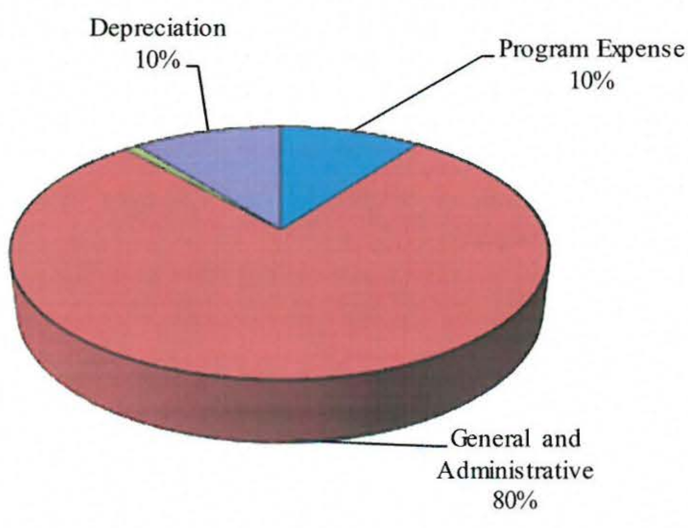
FINANCIAL ANALYSIS - Continued

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

Revenues



Expenses



MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

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 $142,548. Other revenue is generated through grants for the various projects the JCIDA is administering. Grant income consisted of government grants passed through JCIDA.

Operating expenses typically relate to the various projects the JCIDA 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, 2017 relate to normal program operations.

The JCIDA's decrease in net position for 2017 was $183,882. Which was less than originally budgeted. Total Net Position at year-end was $11,468,566. 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 JCIDA, 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 JCIDA 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 JCIDA from Stream. In October 2014, JCIDA 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.

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

OVERVIEW OF THE AGENCY'S PROJECTS - Continued

Additionally

The JCIDA was also awarded a $948,500 grant/loan from the Industrial Access Program by the State of New York. This money was used to build a road to expand the JCIDA's current Industrial Park by 96 acres. The JCIDA will repay 40% of the grant or $379,400. This will be due within 5 years after the project is complete and approved by New York State, and the funds will come from the sale of the land. The project was completed in the first quarter 2005, however, it has not been approved by New York State as of the year ended September 30, 2017. Long-term liabilities for the year ended September 30, 2017 is $180,160 due to New York State for this project.

On September 1, 2016 JCIDA 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 fron 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 JCIDA 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, 2017

Current Applications, Electric Motor Manufacturer, added 10,240 Square Foot to existing building. Potential to add 6 employees over the next 3 years. PILOT provided.

Aviagen North America, Convert Chicken Hatchery to Breeder Hatchery. Project cost $5,000,000. Sixty six jobs to be added. Fifteen year standard PILOT provided.

New York Air Brake, construct and equip a 9800 square foot engineering test lab. Project cost $3,141,628. Estimating 10 additional jobs over three years. Fifteen year standard PILOT provided.

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

BUDGETARY HIGHLIGHTS

For the year ended September 30, 2017, one of the most significant factors impacting revenues was the fact that there were no significant projects requesting a PILOT agreements. The IDA 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, JCIDA has acquired several vacant parcels for future development. The entire project is currently going through extensive environmental review.

It is also noted that for the year ended September 30, 2017, JCLDC waived the fee of $528,000 for administrative support services. As a result, the Agency recorded the fee as an in-kind transaction and revenue in the amount of $528,000 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, JCIDA 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 $4,305,500. The NBRC Grant is for $500,000 to be awarded in the 2017-2018 fiscal year. This money will be used to cover a portion of professional fees on the project.

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

BUDGETARY HIGHLIGHTS - Continued

	Budget		Actual		Variation	
Revenue						
Administrative Fees	$	20,000	$	539,900	$	519,900
PILOT Fees		70,573		47,000		(23,573)
Loan Program Fees		68,561		68,590		29
Interest Income		3,000		3,152		152
Late Payment Penalty		700		385		(315)
Convergys Maintenance Fee		18,000		17,681		(319)
Convergys Parking Lease		20,000		20,000		-
Other Operating Revenue		2,000		2,767		767
Community Development Agreement		279,427		279,427		-
Interest from Loan Receivable		79,400		73,935		(5,465)
Convergys Reserve		200,000		200,000		-
Total Revenue	**$**	**761,661**	**$**	**1,252,837**	**$**	**491,176**
Expenses						
Administrative Service Fees	$	528,000	$	528,000	$	-
Office Expense		4,000		141,728		(137,728)
Insurance Expense		17,200		17,543		(343)
Legal Expenses		20,000		33,261		(13,261)
Professional Fees		10,800		9,475		1,325
Convergys Building Maintenance		30,000		23,051		6,949
Corporate Park		1,500		2,610		(1,110)
Program Expenses		68,591		69,340		(749)
City/County Parking Lot		20,000		20,000		-
Depreciation		121,000		121,473		(473)
Bad Debt Expense/ Adjustment		-		(12,760)		12,760
Miscellaneous Expenses		1,500		4,757		(3,257)
Total Expense	**$**	**822,591**	**$**	**958,478**	**$**	**(135,887)**
Net Income (Loss)	**$**	**(60,930)**	**$**	**294,359**	**$**	**(355,289)**

MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2017

ECONOMIC FACTORS AND FUTURE OUTLOOK

During fiscal year 10/1/17 through 9/30/18 we anticipate participating in major improvements at the Watertown Airport, and further development of the Airport Industrial Park. JCIDA currently owns 101 acres at the Airport. JCIDA 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, and it is anticipated that the project will commence in 2018.

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.

REQUESTS FOR INFORMATION

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

COMBINED STATEMENT OF NET POSITION
September 30, 2017

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	2,920,537
Loans Receivable - Net of Allowance		1,279,247
Other Receivables		21,729
Prepaid Expense		4,560
Note Receivable - Current Portion		1,571
Total Current Assets		4,227,644
Restricted Assets:		
Cash and Cash Equivalents		4,135,934
Loans Receivable - Net of Allowance		1,635,865
Total Restricted Assets		5,771,799
Noncurrent Assets:		
Note Receivable - Less Current Portion		23,479
Capital Assets, Net		1,827,537
Total Noncurrent Assets		1,851,016
TOTAL ASSETS	$	11,850,459
DEFERRED OUTFLOWS OF RESOURCES		
PILOT Monies Receivable	$	66,542
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	24,054
Due to Grantor		34,000
Note Payable - Current Portion		1,571
Other Current Liabilities		62,567
Total Current Liabilities		122,192
Current Liabilities Payable From Restricted Assets:		
Interest Payable - HUD		4,548
Total Current Liabilities Payable From Restricted Assets		4,548
Noncurrent Liabilities:		
Note Payable - Less Current Portion		23,479
Long-term Debt - Less Current Portion		180,160
Total Noncurrent Liabilities		203,639
TOTAL LIABILITIES	$	330,379
DEFERRED INFLOWS OF RESOURCES		
Due To Other Governments	$	118,056
NET POSITION		
Net Investment in Capital Assets	$	1,827,537
Restricted for:		
Other Legal Restrictions		5,096,649
Unrestricted		4,544,380
TOTAL NET POSITION	$	11,468,566

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2017

REVENUES:	
Operating Revenues:	
Bond Issue and Administrative Fees	$ 263,650
Jefferson County Support	406,000
Interest from Loans Receivable	139,011
Community Development Agreement	279,427
Lease Income	20,000
Other Operating Revenues	20,833
Total Operating Revenues	1,128,921
EXPENSES	
Operating Expenses:	
Program Expense	139,754
Salaries and Wages	692,049
Bad Debt Expense (Adjustment)	(12,760)
Legal Fees	33,261
Office Expense	129,174
Advertising and Promotion	119,736
Professional Fees	17,050
Insurance Expense	17,543
Depreciation Expense	144,559
Other Operating Expenses	67,083
Total Operating Expenses	1,347,449
Net Operating Income (Loss)	(218,528)
NON-OPERATING REVENUES	
Interest Income	7,768
Grant Income	25,996
Miscellaneous Income	882
Total Non-Operating Revenues	34,646
Decrease in Net Position	(183,882)
Net Position-Beginning of Year	11,652,448
Net Position-End of Year	$ 11,468,566

COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Bond Issue and Administrative Fees	$	268,762
Cash Received from Jefferson County		406,000
Cash Received from Interest on Loans Receivable		139,011
Cash Received from Late Payment Penalties		385
Cash Received from Loans		797,730
Cash Received from Lease Income		20,000
Cash Received from Community Development Agreement		279,427
Cash Received from Maintenance Reserve		29,130
Cash Received from Interest on Revolving Loan Funds		4,520
Cash Received from Other Operating Sources		2,767
Cash Payments to HUD for Interest on Revolving Loan Funds		(3,721)
Cash Payments for Salary		(692,049)
Cash Payments for Supplies of Goods and Services		(369,375)
Cash Payments for Projects		(139,754)
Cash Payments for New Loans		(270,000)
Net Cash Provided by Operating Activities		472,833
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants Received in Excess of Grants Paid		25,996
PILOT Payments Received in Excess of Amount Paid		51,514
Net Cash Provided by Noncapital Financing Activities		77,510
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Capital Assets		(223,164)
Net Cash Used by Capital and Related Financing Activities	$	(223,164)

COMBINED STATEMENT OF CASH FLOWS - CONTINUED
September 30, 2017

CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received from Interest and Other Sources	$	8,650
Net Cash Provided by Investing Activities		8,650
Net Increase in Cash		335,829
Cash and Cash Equivalents, Beginning of Year		6,720,642
Cash and Cash Equivalents, End of Year	$	7,056,471
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	$	2,920,537
Restricted Cash and Cash Equivalents		4,135,934
Total Cash and Cash Equivalents	$	7,056,471
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$	(218,528)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation		144,559
Bad Debt Expense (Adjustment)		(12,760)
(Increase) Decrease in:		
Loans Receivable		527,730
Other Receivables		8,512
Prepaid Expenses		(385)
Increase in:		
Accounts Payable		13,926
Interest Payable		799
Other Liabilities		8,980
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	472,833

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

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

Blended Component Units

Jefferson County Local Development Corporation and Jefferson County Civic Facility Development Corporation are component units of the Agency. Jefferson County Local Development Corporation issues separate audited financial statements. Copies of reports 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. The Organization was started October 1, 2009. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since their respective Boards are substantially the same and due to the nature of their relationship.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

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

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

Unrestricted—This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

Capital Assets and Depreciation

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

	Years
Furniture & Equipment	5 - 10
Building	10

Repairs and maintenance are charged to expense as incurred. Expenditures of $1,000 or more, which substantially increase the useful lives of the respective assets, are capitalized and depreciated over their useful lives. When an asset is sold, or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Reporting Entity

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

Cash and Cash Equivalents

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

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, 2017, the date which the financial statements were available to be issued.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

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

Uncollateralized	$	-
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name.	$	6,330,451

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, 2017 loans receivable consisted of the following:

Unrestricted:		
Loans - Board Designated	$	1,279,247
Restricted:		
Revolving Loan Program		1,264,326
Microenterprise Loan Program		146,172
City Loan Program		225,367
Total	$	2,915,112

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 - LOANS RECEIVABLE - Continued

Loans – Board Designated

The JCLDC has established a loan program to make loans for economic development purposed to qualified applicants. This function was established to enhance JCLDC's ability to stimulate economic development in the Jefferson County area and help spur job creation and retention in the area. At September 30, 2017, there has been no reserve for bad loans established based on management's judgment.

Revolving Loan Program

The Agency has established a revolving loan program offering low interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest. The Agency has established a reserve for bad loans in order to provide a fairer presentation of its loans receivable. The allowance of $196,244 at September 30, 2017 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 bad loans in order to provide a fairer presentation of its loans receivable. The allowance of $22,000 at September 30, 2017 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, 2017, there has been no reserve for bad loans established based on management's judgment.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 - LOANS RECEIVABLE - Continued

The following is a schedule of the outstanding Board Designated loans receivable at September 30, 2017:

Loans - Board Designated:		
ADYM Associates, Inc.	$	187,373
Current Applications #2		151,725
Hi-Lite Markings		169,031
LCO Destiny LLC		387,499
North Branch Farms		100,000
The Lodge at Ives Hill		137,505
WICLDC		146,114
Total Revolving Loans Receivable	$	1,279,247

The following is a schedule of the outstanding Revolving Loan Fund receivable at September 30, 2017:

Revolving Loan Program:		
Benchmark Family Services	$	184,904
Carthage Specialty Papers		196,120
Hi-Lite Markings		262,637
LCO Destiny LLC		104,209
Meadowbrook Terrace		159,252
MLR, LLC		37,274
MLR, LLC		144,924
North American Tapes, LLC		85,410
North American Tapes, LLC		36,892
Riverview Plaza, LLC		39,039
Wright Bros. LLC		209,909
Total		1,460,570
Less - Allowance for Bad Loans		(196,244)
Total Revolving Loans Receivable	$	1,264,326

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 - LOANS RECEIVABLE - Continued

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

Balance - October 1, 2016	$	196,244
Recovery		11,880
Bad Debt Expense/Adjustment		(11,880)
Write-Offs		-
Balance - September 30, 2017	$	196,244

The following is a schedule of the outstanding Microenterprise Loan Program receivable at September 30, 2017:

Microenterprise Loan Program:		
BICC Brothers of NNY	$	20,453
Lyric Enterprises		8,349
Medical Gas Technologies		23,884
Mr. Rick's Bakery		22,570
RC Spot LLC		37,124
Sackets Harbor Trading Co.		13,198
Serve-Pro		17,368
Taste of Design		25,226
Total		168,172
Less - Allowance for Bad Loans		(22,000)
Total Microenterprise Loans Receivable	$	146,172

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

Balance - October 1, 2016	$	22,000
Recovery		880
Bad Debt Expense/Adjustment		(880)
Write-Offs		-
Balance - September 30, 2017	$	22,000

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 - LOANS RECEIVABLE - Continued

The following is a schedule of the outstanding City Loan Program receivable at September 30, 2017:

City Loan Program	
Current Applications	$ 225,367

The aging of loans receivable portfolio by classes as of September 30, 2017 is summarized as follows:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Current	Total Financing Receivable
Revolving Loan Fund Loans Receivable	$ -	$ -	$ 196,120	$1,264,450	$ 1,460,570
Microenterprise Loans Receivable	25,226	-	33,651	109,295	168,172
City Loan Program Loans Receivable	-	-	-	225,367	225,367
Board Designated Loans Receivable	-	-	-	1,279,247	1,279,247
	$ 25,226	$ -	$ 229,771	$2,878,359	$ 3,133,356

NOTE 4 – NOTES RECEIVABLE/UNEARNED REVENUE

Notes receivable/Unearned revenue consisted of the following at September 30, 2017:

Note due from Kenneth Rogers - monthly payments of $314.91, including interest at 9%, due 12/1/27	$ 25,050
Less - current portion	(1,571)
Non-current portion	$ 23,479

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – LAND

The Agency has purchased land in order to establish an Industrial Park to encourage new businesses to settle in Jefferson County. Land was sold to various businesses throughout the years, and at September 30, 2017 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 61 acres at a cost of $5,605 per acre. See Capital Assets – Note 9 for details.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

PILOT Program

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

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, 2017, the Agency had no commitments for loans that have not been completed as of year-end.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 6 – COMMITMENTS AND CONTINGENCIES - Continued

Federal and State Grant Programs

The Agency participates in Federal and State grant programs. These programs are audited by the Agency's independent accountants in accordance with the provisions of 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, 2017, in the opinion of the Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

NOTE 7 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash, which is invested in interest-bearing accounts, consisted of the following at September 30, 2017:

Revolving Loan Fund	$	3,159,504
Microenterprise Loan Fund		268,705
City Loan Fund		37,123
Capital Improvement Funds		670,602
	$	4,135,934

NOTE 8 – DUE TO OTHER GOVERNMENTS

Due to other governments are PILOT amounts due to the taxing jurisdictions. Future PILOT payments for the year ended September 30, 2017 are $118,056.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 9 – CAPITAL ASSETS

Capital assets at September 30, 2017 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land and improvements	$ 862,189	$ 223,164	$ -	$ 1,085,353
Depreciable Assets:				
Equipment	188,803	-	-	188,803
Building	1,738,690	-	-	1,738,690
Total Capital Assets	2,789,682	223,164	-	3,012,846
Less - accumulated depreciation	1,040,750	144,559	-	1,185,309
Total Capital Assets - Net of Depreciation	$ 1,748,932	$ 78,605	$ -	$ 1,827,537

NOTE 10 – LONG-TERM DEBT

The following notes payable were in effect at September 30, 2017:

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, 2017:	$ 180,160

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 10 – LONG-TERM DEBT- Continued

The future principal payments on the notes payable as of September 30, 2017 are summarized as follows:

Year Ending September 30	Principal	Interest	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
Thereafter	180,160	-	180,160
	$ 180,160	$ -	$ 180,160

Summary of changes in long-term debt:

	10/1/16	Additions	Reductions	9/30/17
Notes payable	$ 180,160	$ -	$ -	$ 180,160

NOTE 11 – RELATED PARTY AGREEMENTS AND TRANSACTIONS

The Agency has a renewable agreement with Jefferson County Local Development Corporation (JCLDC) to provide professional staffing and administrative support services. For the year ended September 30, 2017, the fee of $528,000 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
September 30, 2017

NOTE 12 – RESTRICTED ASSETS

Loan Programs

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

Capital Improvement Reserve

The JCIDA, as a term to a lease agreement with Convergys, has established a Capital Improvement Reserve. Annual payments of $200,000 are made by the Company to fund the reserve. As of September 30, 2017, the cash balance reserve is $661,128. These funds are considered restricted by the Board. The board restricted portion of net position is limited to the available net position of $477,622.

NOTE 13 – RISK MANAGEMENT

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

NOTE 14 – PENSION PLAN

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 was set at 4% of the employees' annual salary. All full-time employees are covered by the Plan. For the year ended September 30, 2017, JCLDC made contributions in the amount of $40,832.

SS1 COMBINING STATEMENT OF FUND NET POSITION
September 30, 2017

ASSETS	JCIDA	Component Units	Eliminations	TOTAL
Current Assets:				
Cash and Cash Equivalents	$ 69,516	$ 2,851,021	$ -	$ 2,920,537
Loans Receivable-Net of Allowance	-	1,279,247	-	1,279,247
Other Receivables	979	20,750	-	21,729
Prepaid Expense	2,006	2,554	-	4,560
Note Receivable - Current Portion	1,571	-	-	1,571
Total Current Assets	74,072	4,153,572	-	4,227,644
Restricted Assets:				
Cash and Cash Equivalents	4,135,934	-	-	4,135,934
Loans Receivable-Net of Allowance	1,635,865	-	-	1,635,865
Total Restricted Assets	5,771,799	-	-	5,771,799
Noncurrent Assets:				
Note Receivable - Less Current Portion	23,479	-	-	23,479
Capital Assets , Net	1,733,014	94,523	-	1,827,537
Total Noncurrent Assets	1,756,493	94,523	-	1,851,016
Total Assets	$ 7,602,364	$ 4,248,095	$ -	$ 11,850,459
DEFERRED OUTFLOWS OF RESOURCES				
PILOT Monies Receivable	$ 66,542	$ -	$ -	$ 66,542
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 7,813	$ 16,241	$ -	$ 24,054
Due to Grantor	-	34,000	-	34,000
Note Payable - Current Portion	1,571	-	-	1,571
Other Current Liabilities	25,994	36,573	-	62,567
Total Current Liabilities	35,378	86,814	-	122,192
Current Liabilities Payable From Restricted Assets:				
Interest Payable - HUD	4,548	-	-	4,548
Total Current Liabilities Payable From Restricted Assets	4,548	-	-	4,548
Noncurrent Liabilities:				
Note Payable - Less Current Portion	23,479	-	-	23,479
Long-term Debt - Less Current Portion	180,160	-	-	180,160
Total Noncurrent Liabilities	203,639	-	-	203,639
Total Liabilities	$ 243,565	$ 86,814	$ -	$ 330,379
DEFERRED INFLOWS OF RESOURCES				
Due to Other Governments	$ 118,056	$ -	$ -	$ 118,056
NET POSITION				
Net Investment in Capital Assets	$ 1,733,014	$ 94,523	$ -	$ 1,827,537
Restricted for:				
Revolving Loan Program	4,419,309	-	-	4,419,309
Microenterprise Loan Program	414,851	-	-	414,851
City Loan Program	262,489	-	-	262,489
Total Restricted Net Position	5,096,649	-	-	5,096,649
Unrestricted	477,622	4,066,758	-	4,544,380
Total Net Position	$ 7,307,285	$ 4,161,281	$ -	$ 11,468,566

See paragraph on supplementary schedules included in auditors' report.

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

Year Ended September 30, 2017

	JCIDA	Component Units	Eliminations	Total
Revenues				
Operating Revenues:				
Bond Issue and Administrative Fees*	$ 327,490	$ 4,750	$ (68,590)	$ 263,650
Jefferson County Support	-	406,000	-	406,000
Interest from Loans Receivable	73,935	65,076	-	139,011
Community Development Agreement	279,427	-	-	279,427
Lease Income	20,000	-	-	20,000
Other Operating Revenues*	548,833	-	(528,000)	20,833
Total Operating Revenues	1,249,685	475,826	(596,590)	1,128,921
Expenses				
Operating Expenses:				
Program Expense *	208,344	-	(68,590)	139,754
Salaries and Wages	-	692,049	-	692,049
Bad Debt (Recovery)	(12,760)	-	-	(12,760)
Legal Fees	33,261	-	-	33,261
Office Expense	2,014	127,160	-	129,174
Advertising and Promotion	-	119,736	-	119,736
Administrative Service Agreement*	528,000	-	(528,000)	-
Professional Fees	9,475	7,575	-	17,050
Insurance Expense	17,543	-	-	17,543
Depreciation Expense	121,473	23,086	-	144,559
Other Operating Expenses	51,128	15,955	-	67,083
Total Operating Expenses	958,478	985,561	(596,590)	1,347,449
Operating Income (Loss)	291,207	(509,735)	-	(218,528)
Non-Operating Revenues				
Grant Income	-	25,996	-	25,996
Interest Income	3,152	4,616	-	7,768
Miscellaneous Income	-	882	-	882
Total Non-operating Revenues	3,152	31,494	-	34,646
Increase (Decrease) in Net Position	294,359	(478,241)	-	(183,882)
Net Position - Beginning of Year	7,012,926	4,639,522	-	11,652,448
Net Position - End of Year	$7,307,285	$4,161,281	$ -	$11,468,566

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

SS3 STATEMENT OF FUND NET POSITION – COMPONENT UNITS
September 30, 2017

ASSETS	**JCLDC**	**JCCFDC**	**TOTAL**
Current Assets:			
Cash and Cash Equivalents	$ 2,842,454	$ 8,567	$ 2,851,021
Loans Receivable	1,279,247	-	1,279,247
Other Receivables	20,000	750	20,750
Prepaid Expenses	2,554	-	2,554
Total Current Assets	4,144,255	9,317	4,153,572
Noncurrent Assets:			
Capital Assets, Net	94,523	-	94,523
Total Assets	$ 4,238,778	$ 9,317	$ 4,248,095
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 16,241	$ -	$ 16,241
Deferred Revenue	34,000	-	34,000
Accrued Expenses	36,573	-	36,573
Total Liabilities	86,814	-	86,814
NET POSITION			
Unrestricted	4,151,964	9,317	4,161,281
Total Net Position	$ 4,151,964	$ 9,317	$ 4,161,281

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

Year Ended September 30, 2017

	JCLDC	JCCFDC	TOTAL
REVENUES			
Operating Revenues:			
Bond Issue and Administrative Fees	$ -	$ 4,750	$ 4,750
Jefferson County Support	406,000	-	406,000
Interest from Loans Receivable	65,076	-	65,076
Total Operating Revenues	471,076	4,750	475,826
EXPENSES			
Salary and Benefits Expense	692,049	-	692,049
Office Expense	127,160	-	127,160
Advertising and Promotion	119,736	-	119,736
Professional Fees	7,575	-	7,575
Depreciation Expense	23,086	-	23,086
Other Operating Expenses	15,844	111	15,955
Total Operating Expenses	985,450	111	985,561
Net Operating Income (Loss)	(514,374)	4,639	(509,735)
NON-OPERATING REVENUES			
Grant Income	25,996	-	25,996
Miscellaneous Income	882	-	882
Interest Income	4,616	-	4,616
Total Non-Operating Revenues	31,494	-	31,494
Change in Net Position	(482,880)	4,639	(478,241)
Net Position - Beginning of Year	4,634,844	4,678	4,639,522
Net Position - End of Year	$ 4,151,964	$ 9,317	$ 4,161,281

SS5 STATEMENT OF FUND NET POSITION
September 30, 2017

	GENERAL	REVOLVING LOAN PROGRAM	MICRO-ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 69,516	$ -	$ -	$ -	$ 69,516
Other Receivables	979	-	-	-	979
Prepaid Expenses	2,006	-	-	-	2,006
Notes Receivable - Current Portion	1,571	-	-	-	1,571
Total Current Assets	74,072	-	-	-	74,072
Restricted Assets:					
Cash and Cash Equivalents	670,602	3,159,504	268,705	37,123	4,135,934
Loans Receivable-Net of Allowance of $218,244	-	1,264,326	146,172	225,367	1,635,865
Total Restricted Assets	670,602	4,423,830	414,877	262,490	5,771,799
Noncurrent Assets:					
Notes Receivable -Less Current Portion	23,479	-	-	-	23,479
Capital Assets, Net	1,733,014	-	-	-	1,733,014
Total Noncurrent Assets	1,756,493	-	-	-	1,756,493
Total Assets	$ 2,501,167	$ 4,423,830	$ 414,877	$ 262,490	$ 7,602,364
DEFERRED OUTFLOWS OF RESOURCES					
PILOT Monies Receivable	$ 66,542	$ -	$ -	$ -	$ 66,542
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 7,813	$ -	$ -	$ -	$ 7,813
Note Payable - Current Portion	1,571	-	-	-	1,571
Other Current Liabilities	25,994	-	-	-	25,994
Total Current Liabilities	35,378	-	-	-	35,378
Current Liabilities Payable From Restricted Assets:					
Interest Payable - HUD	-	4,521	26	1	4,548
Total Current Liabilities Payable From Restricted Assets	-	4,521	26	1	4,548
Noncurrent Liabilities:					
Note Payable - Less Current Portion	23,479	-	-	-	23,479
Long-term Debt - Less Current Portion	180,160	-	-	-	180,160
Total Noncurrent Liabilities	203,639	-	-	-	203,639
Total Liabilities	$ 239,017	$ 4,521	$ 26	$ 1	$ 243,565
DEFERRED INFLOWS OF RESOURCES					
Due to Other Governments	$ 118,056	$ -	$ -	$ -	$ 118,056
NET POSITION					
Net Investment in Capital Assets	$ 1,733,014	$ -	$ -	$ -	$ 1,733,014
Restricted for:					
Revolving Loan Program	-	4,419,309	-	-	4,419,309
Microenterprise Loan Program	-	-	414,851	-	414,851
City Loan Program	-	-	-	262,489	262,489
Total Restricted Net Position	-	4,419,309	414,851	262,489	5,096,649
Unrestricted:					
Capital Improvement Reserve	477,622	-	-	-	477,622
Unrestricted	-	-	-	-	-
Total Unrestricted Net Position	477,622	-	-	-	477,622
Total Net Position	$ 2,210,636	$ 4,419,309	$ 414,851	$ 262,489	$ 7,307,285

SS6 STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2017

	GENERAL	REVOLVING LOAN PROGRAM	MICRO-ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
REVENUES					
Operating Revenues:					
Bond Issue and Administrative Fees	327,490	$ -	$ -	$ -	$ 327,490
Interest from Loans Receivable	-	58,927	7,228	7,780	73,935
Community Development Agreement	279,427	-	-	-	279,427
Lease Income	20,000	-	-	-	20,000
Other Operating Revenues	548,448	156	229	-	548,833
Total Operating Revenues	1,175,365	59,083	7,457	7,780	1,249,685
EXPENSES					
Operating Expenses:					
Program Expense	139,714	43,463	25,167	-	208,344
Bad Debt (Recovery)	-	(11,880)	(880)	-	(12,760)
Legal Fees	30,603	-	2,658	-	33,261
Office Expense	2,014	-	-	-	2,014
Administrative Service Agreement	528,000				528,000
Professional Fees	9,475	-	-	-	9,475
Insurance Expense	17,543	-	-	-	17,543
Depreciation Expense	121,473	-	-	-	121,473
Other Operating Expenses	51,128	-	-	-	51,128
Total Operating Expenses	899,950	31,583	26,945	-	958,478
Operating Income (Loss)	275,415	27,500	(19,488)	7,780	291,207
NON-OPERATING REVENUES					
Interest Income	3,152	-	-	-	3,152
Total Non-operating Revenues	3,152	-	-	-	3,152
Change in Net Position	278,567	27,500	(19,488)	7,780	294,359
Net Position - Beginning of Year	1,932,069	4,391,809	434,339	254,709	7,012,926
Net Position - End of year	$ 2,210,636	$ 4,419,309	$ 414,851	$ 262,489	$ 7,307,285

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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*

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, 2017, 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, 2017.

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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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.

Bowers & Company

Watertown, New York
November 30, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(F) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

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, 2017, 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, 2017.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with the Agency's Investment Guidelines, the New York State (NYS) Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the Investment Guidelines), which is the responsibility of the Agency's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines. However, our audit was not directed primarily towards obtaining knowledge of noncompliance with such Investment Guidelines. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the Investment Guidelines.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these parties.

Bowers & Company

Watertown, New York
November 30, 2017

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To the President and Board of Directors
Jefferson County Industrial Development Agency

In planning and performing our audit of the financial statements of Jefferson County Industrial Development Agency for the year ended September 30, 2017, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of certain matters that are an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters.

New Regulatory Requirements for Federal Awards (Uniform Guidance)

On December 26, 2014 the Office of Management and Budget's (OMB's) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, more commonly referred to as the "Uniform Guidance," became effective for all Federal awards, whether the funds are provided directly from a Federal agency or passed-through another state or local agency.

The Agency currently has effective procedural controls in place over the management of Federal Award Programs. Key changes under the Uniform Guidance expand the rules regarding internal controls over Federal Awards to require that they be documented in writing in the Agency's policies and that management should evaluate and document the results of ongoing monitoring to identify internal control issues. The written internal controls should specifically address each of the 12 compliance requirements of the Federal Award Programs.

The Agency is currently not subject to testing under the Single Audit Act, but should expenditures of federal awards reach the threshold for testing in the future, the Agency would need to be compliant with the new regulations under the Uniform Guidance.

Recommendation

We understand that the Agency is in the process of becoming fully compliant with the new regulatory requirements and we recommend that the Agency continue to make the procedural changes deemed necessary in order to fully adopt the applicable provisions under the Uniform Guidance.

Management's Response

The Agency is working on developing written internal controls over compliance which will incorporate the 12 compliance requirements of the Federal Award Programs in order to become fully compliant with the Uniform Guidance Standards.

Adopt a Formal Capital Asset Policy

It was noted that the Agency currently does not have a formal written capital asset policy. For financial statement purposes, the Agency has consistently capitalized items of $1,000 or more that extend the life of current assets or have a useful life of greater than one year.

Recommendation

We recommend that the Agency adopt a written capital asset policy to ensure consistent application of the Agency's current procedures in the future.

Management's Response

The Agency will adopt a written capital asset policy.

Formal Approval of Financial Transactions and Decisions

Management has communicated to the Board of Directors all material financial transactions through accurate monthly financials and informal discussion. The Agency has also maintained email and other documentation to support such transactions. However, formal approval of all material financial transactions was not documented within the Agency's official minutes.

Recommendation

We recommend that all material financial transactions of the Agency be formally approved by the Board and documented in the Agency's official minutes.

Management's Response

The Agency will ensure all material financial transactions are formally approved by the Board of Directors and documented as such in the minutes.

We appreciate the opportunity to conduct the audit and would like to express our thanks to the staff for the fine cooperation extended to us during the course of the audit.

Bowers & Company

Watertown, New York
November 30, 2017

BOWERS & COMPANY
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November 30, 2017

To the Board of Directors
Jefferson County Industrial Development Agency
Watertown, NY 13601

We have audited the financial statements of the governmental activities of Jefferson County Industrial Development Agency for the year ended September 30, 2017. 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 4, 2017. 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 Industrial Development Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by Jefferson County Industrial Development Agency 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 Jefferson County Industrial Development Agency's financial statements were:

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.

Management's estimate of the allowance for uncollectible loans is based on the Agency's past three years average of historical bad debt experience and managements judgment. We evaluated the key factors and assumptions used to develop the allowance for uncollectible loans provision and determined that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of the value of administrative and staff support services provided by JCLDC is based on budget assumptions made by management and historical costs. We evaluated the key factors and assumptions used to develop the fee for administrative and staff support services 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 known and likely 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 each opinion unit's 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 30, 2017.

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 Jefferson County Industrial Development Agency's financial statements or a determination of the type of auditor's 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 Jefferson County Industrial Development Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Bowers & Company