

JEFFERSON COUNTY LOCAL
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

September 30, 2019

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JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Local Development Corporation as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

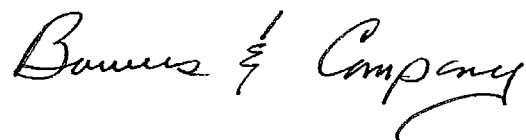
As discussed in Note 2 to the financial statements, in 2019, Jefferson County Local Development Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Jefferson County Local Development Corporation's September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of Jefferson County Local Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Local Development Corporation'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 Local Development Corporation's internal control over financial reporting and compliance.



Watertown, New York
November 26, 2019

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

September 30, 2019 with Comparative Totals for 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,633,275	\$ 2,512,584
Loans Receivable	669,515	1,149,145
Other Receivables	9,410	-
Prepaid Expenses	2,695	3,290
Total Current Assets	3,314,895	3,665,019
PROPERTY AND EQUIPMENT, NET	53,671	71,437
TOTAL ASSETS	<u>\$ 3,368,566</u>	<u>\$ 3,736,456</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,382	\$ 7,394
Accrued Expenses	40,675	37,328
Unearned Revenue	76,294	35,279
Total Liabilities	129,351	80,001
NET ASSETS		
Net Assets Without Donor Restrictions		
Undesignated	3,239,215	3,656,455
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,368,566</u>	<u>\$ 3,736,456</u>

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019 with Comparative Totals for September 30, 2018

	2019	2018
SUPPORT AND REVENUE		
Jefferson County Support	\$ 414,120	\$ 408,040
Grant Income	26,800	14,229
Administrative Fees	298,512	-
Application and Processing Fees	-	1,721
Interest on Loans Receivable	41,338	52,300
Interest Income	3,782	4,185
Miscellaneous	4,892	3,960
	<hr/>	<hr/>
Total Support and Revenue	789,444	484,435
EXPENSES		
Agriculture	180,972	173,647
Marketing	369,890	354,608
Economic Development	214,157	14,278
General and Administrative	441,665	437,411
	<hr/>	<hr/>
Total Expenses	1,206,684	979,944
CHANGE IN NET ASSETS	(417,240)	(495,509)
NET ASSETS, BEGINNING OF YEAR	<hr/> 3,656,455	<hr/> 4,151,964
NET ASSETS, END OF YEAR	<hr/> <hr/> \$ 3,239,215	<hr/> <hr/> \$ 3,656,455

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019 with Summarized Totals for September 30, 2018

	Program Services			Totals	
	Agriculture	Marketing	Economic Development	2019	2018 (Summarized)
Salaries and Employee Benefits	\$ 153,400	\$ 257,377	\$ -	\$ 327,444	\$ 714,553
Advertising and Promotion	9,147	69,967	-	-	72,708
Bad Debt	-	-	182,603	-	-
Dues and Subscriptions	115	-	115	6,979	5,464
Equipment Rental and Maintenance	-	-	-	9,438	5,216
Manufacturing and Business Support	-	-	2,500	-	-
Miscellaneous	1,278	-	-	278	2,663
Office Expenses	1,700	10,586	-	19,304	28,689
Professional Fees	-	-	-	7,725	7,873
Rent	2,919	24,815	-	45,251	72,744
Travel, Training and Conferences	11,949	3,203	14,911	9,114	34,797
Utilities	464	3,942	-	7,189	12,151
Total Expenses Before Depreciation	180,972	369,890	200,014	432,722	956,858
Depreciation	-	-	14,143	8,943	23,086
TOTAL EXPENSES	\$ 180,972	\$ 369,890	\$ 214,157	\$ 441,665	\$ 979,944

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended September 30, 2019 with Comparative Totals for 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (417,240)	\$ (495,509)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Depreciation Expense	23,086	23,086
Bad Debt Expense	182,603	-
(Increase) Decrease in:		
Grants Receivable	-	20,000
Other Receivables	(9,410)	-
Prepaid Expenses	595	(736)
Increase (Decrease) in:		
Accounts Payable	4,988	(8,847)
Accrued Expenses	3,347	755
Unearned Revenue	41,015	1,279
Net Cash Used by Operating Activities	<u>(171,016)</u>	<u>(459,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(5,319)	-
Loan Originations	-	(98,082)
Principal Collections on Loans Receivable	297,026	228,184
Net Cash Provided by Investing Activities	<u>291,707</u>	<u>130,102</u>
Net Increase (Decrease) in Cash	120,691	(329,870)
Cash, Beginning of Year	<u>2,512,584</u>	<u>2,842,454</u>
Cash, End of Year	<u>\$ 2,633,275</u>	<u>\$ 2,512,584</u>

See notes to financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 1 – NATURE OF OPERATIONS

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The LDC reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Are currently available for operating purposes subject only to the broad limits resulting from the nature of the LDC. Net assets without donor restrictions generally result from Jefferson County support, grant income, administrative fees and interest, less expenses incurred in providing program-related services and performing administrative functions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. The LDC did not have any net assets with donor restrictions as of September 30, 2019 and 2018.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The LDC adopted the provisions of this new standard during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

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

Cash and Cash Equivalents

The LDC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. For the years ended September 30, 2019 and 2018, the LDC reported no cash equivalents.

Loans Receivable and Allowance for Loan Losses

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

Loans Receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for loan losses based on its assessment of the current status of individual accounts. There was no allowance for loan losses deemed necessary for both years ended September 30, 2019 and September 30, 2018. It is the LDC's policy to charge off uncollectible loans receivable when management determines the receivable will not be collected.

Property and Equipment

Property and equipment are recorded at cost. Jefferson County Local Development Corporation follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Category	Recovery Period Years
Equipment	5 - 10
Furniture and Fixtures	5 - 10

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Revenue

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Income Tax Status

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

Open Tax Years

The LDC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2018, 2017, and 2016 are subject to examination by the IRS, generally for 3 years after they were filed. Based on its analysis, the LDC determined that there were no uncertain tax positions and that the LDC should prevail upon examination by the taxing authorities.

Advertising

Advertising costs are expensed as they are incurred. Advertising expense amounted to approximately \$79,000 and \$73,000 for the years ended September 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

Expenses consist of costs related to providing services and administrative functions. The LDC's operating costs have been allocated based on direct identification when possible, and allocation if a single expenditure benefits more than one function. Compensation, benefits, and certain other operating expenses are allocated based on estimates of time and effort.

Statement of Cash Flows

There were no noncash investing and financing activities during the years ended September 30, 2019 and 2018.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the LDC's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the 2018 financial statements in order for them to be in conformity with the current year's presentation

Date of Management's Review

Management has evaluated subsequent events through November 26, 2019, the date which the financial statements were available to be issued.

NOTE 3 – LOANS RECEIVABLE

Loans receivable consisted of the following at September 30,

	2019	2018
Revolving Loan Fund Program	\$ 669,515	\$ 1,149,145

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

	2019	2018
Revolving Loan Fund Program		
AYDM Associates, Inc.	\$ -	\$ 183,010
Current Applications	137,148	144,294
Hi-Lite Group	-	86,097
LCO Destiny, Inc.	142,991	268,294
North Branch Farms	53,820	100,000
The Lodge at Ives Hill	124,129	131,540
WICLDC #1	128,525	137,828
WICLDC #2	82,902	98,082
Total Revolving Loan Fund Program	\$ 669,515	\$ 1,149,145

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 3 – LOANS RECEIVABLE– Continued

The aging of the loans receivables portfolio by classes as of September 30, 2019 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	\$ -	\$ -	\$ -	\$ 669,515	\$ 669,515
	\$ -	\$ -	\$ -	\$ 669,515	\$ 669,515

The aging of the loans receivables 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	\$ -	\$ -	\$ -	\$ 1,149,145	\$ 1,149,145
	\$ -	\$ -	\$ -	\$ 1,149,145	\$ 1,149,145

Activity in the Allowance for Loan Losses is as follows:

Balance - October 1, 2018	\$ -
Bad Debt Expense	182,603
Write-offs	<u>(182,603)</u>
Balance- September 30, 2019	<u>\$ -</u>

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment at September 30, 2019 and 2018 consist of the following:

	2019	2018
Equipment	\$ 99,000	\$ 99,000
Furniture and Fixtures	70,389	70,389
Work in Progress - Records Storage	5,319	-
Total	<u>174,708</u>	<u>169,389</u>
Less: Accumulated Depreciation	<u>(121,037)</u>	<u>(97,952)</u>
Property and Equipment, Net	<u>\$ 53,671</u>	<u>\$ 71,437</u>

Depreciation expense for each year ended September 30, 2019 and 2018 was \$23,086.

NOTE 5 – RELATED PARTY AGREEMENTS AND TRANSACTIONS

The LDC rents office space from Watertown Industrial Center LDC under a 10-year lease agreement. The current lease was executed for the period October 1, 2014 through September 30, 2024. At September 30, 2019, current monthly base rental payments are \$1,420 plus costs related to leasehold improvement debt of \$4,662. The LDC has the option to renew the lease on October 1, 2024 for an additional five years with a base monthly rent of \$3,603 per month for 12 months. Rental expense for the years ended September 30, 2019 and 2018 was \$72,985 and \$72,744, respectively.

Future minimum lease payments are:

Year Ending September 30, 2020	\$ 72,744
Year Ending September 30, 2021	74,446
Year Ending September 30, 2022	74,446
Year Ending September 30, 2023	74,446
Year Ending September 30, 2024	<u>74,446</u>
Total	<u>\$ 370,528</u>

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 5 – RELATED PARTY AGREEMENTS AND TRANSACTIONS– Continued

An agreement was executed between the LDC and the Jefferson County Industrial Development Agency (JCIDA), where JCIDA agreed to pay the LDC for administrative and staff support. The amount charged to the JCIDA by the LDC was \$597,029 and \$569,304 for the years ended September 30, 2019 and 2018, respectively. This agreement commenced effective August 1, 2013 and is automatically renewed. The fee is recalculated annually based on the LDC's budget. For the year ended September 30, 2019, LDC waived half the fee, and recognized that as in-kind revenue. JCIDA recognized this as an in-kind transaction for the services provided. The other half of the fee was paid by JCIDA and recognized as revenue by the LDC in the current period. JCIDA recognized this as an expense. For the year ended September 30, 2018, the entire fee was waived by the LDC and no revenue was recognized. The fee was recognized as an in-kind transaction by JCIDA for the services provided under the agreement.

On December 1, 2010, the LDC loaned Watertown Industrial Center Local Development Corporation \$200,000 for roof replacement expenses. The loan matures on January 1, 2031. As of September 30, 2019 and 2018, the balance remaining on this loan was \$128,525 and \$137,828, respectively.

On September 10, 2018, the LDC loaned Watertown Industrial Center Local Development Corporation \$98,082 for renovations to the northeast corner of Building A at the Watertown Center for Business and Industry which will provide an additional 33,432 square feet for the current tenant. The loan matures on October 1, 2023. As of September 30, 2019 and 2018, the balance remaining on this loan was \$82,902 and \$98,082, respectively.

NOTE 6 – JEFFERSON COUNTY SUPPORT

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

	2019	2018
Jefferson County Agriculture Program Grant	\$ 138,720	\$ 138,040
Jefferson County Marketing Grant	275,400	270,000
	<u>\$ 414,120</u>	<u>\$ 408,040</u>

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 with Comparative Totals for 2018

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The LDC maintains its cash balances in financial institutions located in Watertown, NY. Interest-bearing deposits and non-interest-bearing deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. The LDC's aggregate bank balances included balances not covered by depository insurance at year-end. Deposits in the amount of \$2,281,996 and \$2,245,730, for the years ended September 30, 2019 and 2018, respectively, are collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the LDC's name. All deposits were fully collateralized as of September 30, 2019 and 2018.

NOTE 8 – RETIREMENT PLAN

On August 1, 2013, the LDC 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 years ended September 30, 2019 and 2018, the LDC made contributions in the amount of \$41,886 and \$42,564, respectively.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The LDC monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The following table reflects the LDC's financial assets as of September 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year.

	2019	2018
Financial Assets:		
Cash	\$ 2,633,275	\$ 2,512,584
Loans Receivable	669,515	1,149,145
Other Receivables	9,410	-
	<hr/>	<hr/>
Financial Assets, at Year-End	3,312,200	3,661,729
Less Those Unavailable For General Expenditure Within One Year, Due To:		
Loans Receivable Collectible Beyond One Year	(483,718)	(846,656)
	<hr/>	<hr/>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	<u>\$ 2,828,482</u>	<u>\$ 2,815,073</u>



**BOWERS & COMPANY
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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

BOARD OF DIRECTORS

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson County Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson County Local Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson County Local Development Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

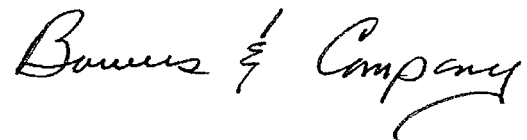
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Bowers & Company". The signature is written in a cursive, flowing style.

Watertown, New York
November 26, 2019



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

November 26, 2019

To the Board of Directors of
Jefferson County Local Development Corporation

We have audited the financial statements of Jefferson County Local Development Corporation for the year ended September 30, 2019, and have issued our report thereon dated November 26, 2019. 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, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jefferson County Local Development Corporation are described in Note 2 to the financial statements. As described in Note 2, the Organization changed accounting policies related to functional expenses and liquidity disclosures by adopting FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy has always been used. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 26, 2019.

Management Consultations with Other Independent Accountants

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

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Other Audit Findings or Issues

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

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

Very truly yours,

Bauer & Company