

COUNTY OF LEWIS INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

May 31, 2014 and 2013

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**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

**BOARD OF DIRECTORS
COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

Report on the Financial Statements

We have audited the accompanying financial statements of the **COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY** (a State of New York corporate governmental agency), as of and for the years ended May 31, 2014 and 2013, 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 Responsibilities 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 audits. We conducted our audits 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 of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County of Lewis Industrial Development Agency, as of May 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

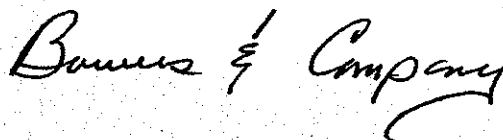
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2014 on our consideration of the County of Lewis 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Lewis Industrial Development Agency's internal control over financial reporting and compliance.



Watertown, New York
July 1, 2014

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2014 and 2013

INTRODUCTION

The following is the County of Lewis Industrial Development Agency's (LCIDA) Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal year end May 31, 2014. Information contained in the MD&A has been prepared by the LCIDA management and should be considered in conjunction with the financial statement and the notes of the independent auditors' report conducted by Bowers & Company, CPAs, PLLC.

The notes are essential to a full understanding of the data contained in the financial statements. The goal is to provide readers an objective and easily understood overview of the LCIDA's financial performance.

OPERATION HIGHLIGHTS

The LCIDA is a self-funded public benefit corporation created to attract and enhance industrial development, help create jobs and maintain economic stability within Lewis County. Our secondary function is to assist other agencies with tourism, natural resources, retail, wholesale, professional and community enhancements.

The LCIDA has ongoing Projects with Lyonsdale Biogas (RE Energy), MA&N Railroad, V.S.Virkler & Son, Otis Technology, Lakeside Power Beaver Falls, Brandt's Slaughterhouse, Victorian Lake and MDBB Enterprises. The LCIDA has provided a means of financial benefits for approximately 38 large Projects in the amount of over 286 million dollars.

During this past year the LCIDA continued to support the small family business, which may grow into larger manufacturing companies. This past year we provided in cooperation with our economic partner, New York State Business Development Corporation, over 80 hours of business counseling to approximately 15 local citizens.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2014 and 2013

OPERATION HIGHLIGHTS - CONTINUED

The LCIDA feels it is important to learn more precisely the issues and concerns of our industries and help address these issues. We have accomplished this by:

- Over 20 on site visitations
- Sponsor grants for Lewis County Businesses
- Organization Participation – Allows the LCIDA to interact with industry on a regular basis to learn more about their issues and to find solutions. Some of the major organizations are:
 - Lewis County Comprehensive Plan Implementation Committee
 - Lewis County Legislator Economic Sub-Committee
 - Comprehensive Economic Development Strategy Committee (CEDS)
 - Community Digester Initiative
 - Rails to Trails Initiative
 - North Country Alliance (NCA)
 - Central Upstate Regional Alliance
 - Town and Village Supervisor Meetings

The LCIDA is a small quiet agency with a progressive, even aggressive posture working with their many partners to create “A Positive Economic Attitude in Lewis County.”

FINANCIAL HIGHLIGHTS

- The assets of the LCIDA exceeded its liabilities at the most recent fiscal year by \$1,330,087 (net position). Net Position decreased from the prior year by \$45,184 or 3.3%. A decrease is not unusual for an IDA in a small County with limited manufacturing activity. Project fees generating operating revenue for the Agency occur infrequently.
- During the most recent fiscal year expenses exceed revenues by \$45,184. This compares to last year of expenses exceeding revenue by \$75,542.
- Interest Revenue for 2014 was \$3,467 and \$3,613 in 2013.
- Expenses other than PILOT and Deprecation to operate the Agency were increased by \$2,528 or 2.4%.

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2014 and 2013

OVERVIEW OF FINANCIAL STATEMENTS

Net Position serves as an indicator of the LCIDA's financial position. Increases or decreases in net position may indicate over a period of time, if the financial position of the LCIDA is improving or deteriorating.

Condensed Comparative Financial Statements

The following provides an overview of the LCIDA assets, liabilities, and net assets at the close of fiscal years 2014, 2013, and 2012.

	2014	2013	2012
ASSETS			
Current & Other Assets	\$ 1,362,567	\$ 1,529,120	\$ 1,725,351
Capital Assets	<u>148</u>	<u>382</u>	<u>617</u>
Total Assets	1,362,715	1,529,502	1,725,968
LIABILITIES			
Current Liabilities	29,380	148,088	165,409
Long-Term Liabilities	<u>3,248</u>	<u>5,293</u>	<u>109,746</u>
Total Liabilities	32,628	153,381	275,155
DEFERRED INFLOWS OF RESOURCES			
	<u>0</u>	<u>850</u>	<u>0</u>
NET POSITION			
Net Investment in Capital Assets	202,143	206,719	92,396
Restricted	25,000	0	0
Unrestricted	<u>1,102,944</u>	<u>1,168,552</u>	<u>1,358,417</u>
Total Net Position	<u>\$ 1,330,087</u>	<u>\$ 1,375,271</u>	<u>\$ 1,450,813</u>

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2014 and 2013

OVERVIEW OF FINANCIAL STATEMENTS - CONTINUED

Analysis of Financial Position and Results of Operations

The statement of revenues, expenses, and changes in net position show how the LCIDA net position changed during the most recent year. Business type activities decreased the LCIDA's net position by \$45,184. Key elements of this decrease are as follows:

CHANGES IN NET POSITION

	As Stated		Without PILOT	
	2014	2013	2014	2013
OPERATING REVENUES				
Payment in Lieu of Taxes	\$ 470,079	\$ 706,237	\$ 0	\$ 0
Agency Fees	26,315	0	26,315	0
Rental Income	11,050	5,950	11,050	5,950
Miscellaneous	1,290	250	1,290	250
Total Revenues	508,734	712,437	38,655	6,200
OPERATING EXPENSES				
Payment in Lieu of Taxes	470,079	706,237	0	0
General Operations	102,323	99,962	102,323	99,962
Professional Fees	4,200	4,810	4,200	4,810
Depreciation	4,576	3,130	4,576	3,130
Miscellaneous	900	123	900	123
Total Operating Expenses	582,078	814,262	111,999	108,025
Operating Income Loss	(73,344)	(101,825)	(73,344)	(101,825)
NON-OPERATING REVENUES				
Gain on Sale of Property	0	23,220	0	23,220
Revolving Fund Grant	25,000	0	25,000	0
Interest (Net)	3,160	3,063	3,160	3,063
Change in Net Position	(45,184)	(75,542)	(45,184)	(75,542)
Net Position, Beginning of Year	1,375,271	1,450,813	1,375,271	1,450,813
Net Position, End of Year	\$ 1,330,087	\$ 1,375,271	\$ 1,330,087	\$ 1,375,271

Payments in lieu of taxes were separated out to show the true cost of operations.

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2014 and 2013

OVERVIEW OF FINANCIAL STATEMENTS - CONTINUED

Analysis of Transaction of Individual Funds

The PILOTS are the monies received from the companies in lieu of normal taxes and are disbursed to the various taxing jurisdictions. Operating expenses before PILOTS, increased by \$3,974 or 3.7%. This change was largely due to increases in Salary and Employee Benefits expense. The Agency does not depend on any taxpayer's dollars to fund operations of the Agency.

CAPITAL ASSETS & LONG TERM DEBT ACTIVITY

The LCIDA net investment in capital assets as of May 31, 2014, amounted to \$202,143 (net of depreciation). The LCIDA's investment in capital assets includes Leasehold Improvements, Furniture & Fixtures, and Equipment, Purchase Option on Real Estate, and Property Held for Lease.

- Leasehold Improvements - improvements made to the office LCIDA is renting at 7642 State St.
- Furniture & Fixtures, and Equipment - assets used for the LCIDA general operations.

A summary of Capital Assets:

	2014	2013	2012
Leasehold Improvements	\$ 5,264	\$ 5,264	\$ 5,264
Furniture & Expenses	1,236	1,236	1,236
Equipment	2,594	2,594	2,594
Purchase Option on Real Estate	10,000	10,000	0
Property Held For Lease/Sale	199,232	199,232	91,779
	218,326	218,326	100,873
Accumulated Depreciation	(8,946)	(8,712)	(8,477)
Net Capital Assets	<u>\$ 202,143</u>	<u>\$ 206,719</u>	<u>\$ 92,396</u>

A summary of Long Term Debt:

	2014	2013	2012
Loan – Community Bank	\$ 3,248	\$ 5,293	\$ 7,079
Long Term Debt	<u>\$ 3,248</u>	<u>\$ 5,293</u>	<u>\$ 7,079</u>

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2014 and 2013

ECONOMIC OUTLOOK AND THE LCIDA

During the 2013-2014 year, several projects were started which will enhance the economy for 2014-2015. They are:

- Victorian Lake, LLC-This is a new medical facility offering six services of which two are new to Lewis County resulting in creation of 20 new jobs.
- MDBB Enterprises, LLC-This is the parent company of Grand Slam Safety which manufactures safety nets for ball fields. This has resulted in 8-10 new jobs.
- Sales tax exemptions were awarded to two new car dealerships resulting in expansion projects in excess of \$1.5 and creation of 8 jobs.
- Roaring Brook – There are plans for 39 windmills in 2014 or 2015 in the Town of Martinsburg.
- Own Energy- There are plans for a 79.2 MW wind farm in the Town of Denmark. This is a 2014 or 2015 project. IDA benefits have been approved.
- Kruger Energy- This Canadian company is planning to increase the MW capacity from 5MW to 10MW. This process is underway at this time.
- Brandt's Slaughter House has begun operations resulting in 6-8 new jobs.
- A company is in the R&D stage in establishing an ethanol plant. R&D may take another 2 to 3 years. This is converting willow trees to ethanol.
- The IDA was awarded a \$90,000 USDA Rural Development Grant to administer a Revolving Loan Fund in 2013. Its first loan was awarded to Bark Eater Craft Brewery which resulted in 6 new jobs.

CONTACT THE LCIDA FINANCIAL MANAGEMENT

This financial report is designed to provide the public with a general overview of the LCIDA finances and to show the LCIDA accountability for the money it manages. If you have any questions concerning any information provided in this report or need additional financial information contact:

Contact:

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Prepared by:

Richard H. Porter, Executive Director
County of Lewis Industrial Development
Agency

AUDITED FINANCIAL STATEMENTS**STATEMENTS OF NET POSITION**

May 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,007,887	\$ 1,218,546
Accounts Receivable	24,205	0
Prepaid Expense	4,237	4,237
	<u>1,036,329</u>	<u>1,222,783</u>
CAPITAL ASSETS		
Leasehold Improvements	5,264	5,264
Furniture, Fixtures and Equipment	3,830	3,830
	9,094	9,094
Less: Accumulated Depreciation	<u>(8,946)</u>	<u>(8,712)</u>
	<u>148</u>	<u>382</u>
OTHER ASSETS		
Note Receivable	124,243	100,000
Property Held for Lease	191,995	196,337
Purchase Option on Real Estate	10,000	10,000
	<u>326,238</u>	<u>306,337</u>
TOTAL ASSETS	<u>\$ 1,362,715</u>	<u>\$ 1,529,502</u>

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

LIABILITIES AND NET POSITION

	2014	2013
CURRENT LIABILITIES		
Accounts Payable	\$ 27,335	\$ 146,138
Current Portion of Long Term Debt	2,045	1,950
Total Current Liabilities	<u>29,380</u>	<u>148,088</u>
LONG TERM LIABILITIES		
Long Term Debt	3,248	5,293
Deposit on Property Held for Sale	0	0
Total Long Term Liabilities	<u>3,248</u>	<u>5,293</u>
Total Liabilities	<u>32,628</u>	<u>153,381</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	0	850
Total Deferred Inflows of Resources	<u>0</u>	<u>850</u>
NET POSITION		
Net Investment in Capital Assets	202,143	206,719
Restricted	25,000	0
Unrestricted	<u>1,102,944</u>	<u>1,168,552</u>
Total Net Position	<u>1,330,087</u>	<u>1,375,271</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,362,715</u>	<u>\$ 1,529,502</u>

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN NET POSITION

Years Ended May 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Payment in Lieu of Taxes	\$ 470,079	\$ 706,237
Rental Revenue	11,050	5,950
Agency Fees	26,315	0
Application Fee Revenue	1,290	250
Total Operating Revenue	<u>508,734</u>	<u>712,437</u>
OPERATING EXPENSES		
Payment in Lieu of Taxes	470,079	706,237
Salaries and Wages	71,533	69,829
Payroll Taxes and Employee Benefits	10,831	9,580
Insurance	4,595	5,119
Office Supplies and Expenses	816	2,394
Professional Fees	4,200	4,810
Rent	6,300	6,300
Utilities	3,001	3,032
Travel, Meals and Cell Phone	2,567	2,413
Depreciation	4,576	3,130
Maintenance and Repairs	500	455
Dues and Subscriptions	299	293
Printing	281	462
Beaverite Building Expenses	0	85
Advertising	1,600	0
Miscellaneous	900	123
Total Operating Expenses	<u>582,078</u>	<u>814,262</u>
OPERATING LOSS	(73,344)	(101,825)
NONOPERATING REVENUE		
Gain on Sale of Property	0	23,220
Revolving Fund Grant Revenue	25,000	0
Interest Expense	(307)	(550)
Interest Revenue	3,467	3,613
Total Nonoperating Revenue	<u>28,160</u>	<u>26,283</u>
Change in Net Position	(45,184)	(75,542)
Net Position, Beginning of Year	<u>1,375,271</u>	<u>1,450,813</u>
Net Position, End of Year	<u>\$ 1,330,087</u>	<u>\$ 1,375,271</u>

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years Ended May 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 483,679	\$ 573,283
Payments to Suppliers	(613,941)	(604,825)
Payments to Employees	(82,364)	(79,612)
	<u>(212,626)</u>	<u>(111,154)</u>
Net Cash Used In Operating Activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Revolving Fund Grant Revenue	25,000	0
Issuance of Note Receivable	(25,000)	0
Repayment of Note Receivable	753	0
	<u>753</u>	<u>0</u>
Net Cash Provided By Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Principal and Interest Payments on Long Term Debt	(2,253)	(2,253)
Purchase of Property	0	(199,232)
Real Estate Purchase Option	0	(10,000)
Proceeds from Sale of Building	0	12,331
	<u>(2,253)</u>	<u>(199,154)</u>
Net Cash (Used In) Provided By Capital and Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	3,467	3,613
	<u>3,467</u>	<u>3,613</u>
Net Cash Provided By Investing Activities		
Net Decrease in Cash	(210,659)	(306,695)
Cash, Beginning of Year	1,218,546	1,525,241
Cash, End of Year	<u>\$ 1,007,887</u>	<u>\$ 1,218,546</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating Loss	\$ (73,344)	\$ (101,825)
Depreciation	4,576	3,130
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	0	1,094
Other Receivable	(24,205)	3,000
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(118,803)	(17,403)
Deferred Revenue	(850)	850
	<u>(212,626)</u>	<u>(111,154)</u>
Net Cash Provided Used In Operating Activities		

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 1 – NATURE OF OPERATIONS

Financial Reporting Entity

The County of Lewis Industrial Development Agency (the “Agency”) was established under Title 1 of Article 18-A of the General Municipal Law of the State of New York for the purpose of promoting employment, attracting industry and businesses to the community or area and to lessen the burdens of government and act in the public interest.

The governing body of the County of Lewis Industrial Development Agency is substantially the same as the governing body of the Lewis IDA Community Development Corporation (the “Corporation”); therefore, the financial information of the Corporation would be reported with the financial information of the Agency if there were activity in the Corporation. However, the corporation has been dormant for several years and there are no assets or liabilities. The Corporation is a nonprofit organization and is exempt from federal tax under Section 501(c) (3) of the Internal Revenue Code.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Agency's operations consist of a single fund, which is a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into net investment in capital assets, restricted and unrestricted components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating Revenue and Expenses

Operating revenue and expenses for proprietary funds are those that result from providing services.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost if purchased; or at fair market value on the date of gift, if donated. The Agency adopted a formal capitalization policy. Expenditures for major renewals and betterments that exceed \$1,000 and extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Allowance for Doubtful Accounts

The Agency has elected not to establish an allowance for doubtful accounts since all receivables are deemed collectible. An allowance will be established when an event occurs in the future that would necessitate a reserve.

Use of Estimates

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

Industrial Development Revenue Bonds

The Agency may issue Industrial Development Revenue Bonds. The bonds are special obligations of the Agency payable solely from revenue derived from the leasing, sale or other disposition of a project. There is no liability to the Agency; therefore, the obligations are not accounted for in the accounts of the Agency.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation

Depreciation is computed using the straight-line method. Equipment and furniture and fixtures are depreciated over their estimated useful lives ranging from five to seven years. Leasehold improvements are depreciated over the estimated useful life of fifteen years.

Accumulated depreciation at May 31 consists of the following:

	2014	2013
Furniture and Fixtures	\$ 1,236	\$ 1,236
Equipment	2,594	2,594
Leasehold Improvements	5,116	4,882
Total	<u>\$ 8,946</u>	<u>\$ 8,712</u>

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. Management has adopted the Statement as of May 31, 2014.

NOTE 3 – CASH

The Agency's investment policies are governed by state statutes. The Agency's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Agency is authorized to use demand and time accounts and certificates of deposit. Permissible instruments include U. S. Treasury bills.

Collateral is required for demand and time deposits and certificates of deposit for all deposits not covered by Federal deposit 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.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 3 – CASH - Continued

Deposits are valued at cost or cost plus interest and are categorized as either:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name;
2. Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
3. Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, its trust department, or agent but not in the entity's name.)

Total financial institution (bank) balances at May 31, 2014 per the banks were \$1,007,837. These deposits are categorized as follows:

(1)	(2)	(3)
\$ 250,000	\$ 757,837	\$ 0

NOTE 4 – RENT AGREEMENT

The Agency pays monthly rent to Jim Arvanites for occupied office space. The monthly rent is \$525 per the terms of an agreement between the Agency and Mr. Arvanites. Either party shall give 60 days written notice to terminate the agreement.

NOTE 5 – WOODPRODUCTS INDUSTRIAL PARK

In 1997, the Agency was a recipient of a federal grant from the U. S. Department of Commerce - Economic Development Administration for an amount of \$600,000. The grant was utilized to construct a Woodproducts Industrial Park in the Village of Harrisville, New York. In accordance with the terms of the grant agreement, a mortgage on the property in the amount of \$285,000 has been filed. The mortgage shall terminate on August 18, 2022.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 6 – PROPERTY HELD FOR LEASE

Property held for lease or sale at May 31 is as follows:

	2014	2013
Building and Land	\$ 199,232	\$ 199,232
Accumulated Depreciation	<u>(7,237)</u>	<u>(2,895)</u>
Total	<u>\$ 191,995</u>	<u>\$ 196,337</u>

The Agency purchased a building and land located in Lowville, New York from the Hand In Hand Early Childhood Center for \$199,232 on October 4, 2012. The building is being depreciated over thirty-nine years. The property is held for lease with a carrying value of \$196,337 as of May 31, 2014. The Agency collects \$10,200 per year in rental revenue through September 30, 2022. The future minimum rental revenues to be collected are as follows:

2015	\$ 10,200
2016	10,200
2017	10,200
2018	10,200
2019	10,200
Thereafter	<u>34,000</u>
Total	<u>\$ 85,000</u>

NOTE 7 – PURCHASE OPTION ON REAL ESTATE

On June 15, 2012 the Agency was granted the exclusive right and option to purchase a commercial building owned by Black Moose Development, LLC in Lyons Falls, New York for \$10,000. The term of this option will expire on October 21, 2016.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 8 – NOTE RECEIVABLE

The Agency entered into a note and mortgage agreement with Black Moose Development, LLC on May 10, 2011 in the amount of \$100,000. The mortgage was originally executed between Black Moose Development, LLC and Michael R. Johnson. On May 5, 2011 Mr. Johnson assigned the mortgage to the County of Lewis Industrial Development Agency. The mortgage created a lien on real estate located in the Village of Lyons Falls, Lewis County, New York. The interest rate is 3.00% per year. The Agency shall receive annual payments of interest only beginning May 10, 2012 through April 10, 2016. Beginning on May 10, 2016, the Agency shall receive monthly installments of principal of \$833 plus interest each month through the maturity date of April 10, 2026.

The Agency entered into a note agreement with Bark Eater Craft Brewery, LLC on March 6, 2014 in the amount of \$25,000. The interest rate is 4.25% per year. The Agency shall receive monthly installments of principal of \$463 plus interest each month through the maturity date of March 1, 2019.

Annual principle future maturities of the note receivables as of May 31, 2014 are as follows:

2015	\$	4,618
2016		5,651
2017		15,022
2018		15,240
2019		14,533
Thereafter		<u>69,179</u>
Total	\$	<u>124,243</u>

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 9 – LONG TERM DEBT

The Agency signed a commercial promissory note with Community Bank N.A. on October 21, 2011 to borrow \$10,000 for a term of 60 months. The loan will be repaid in monthly payments of \$188 including principal and interest starting November 15, 2011. The interest rate is a fixed rate of 4.75% and the maturity date is October 15, 2016. The outstanding loan balance was \$5,293 and \$7,243 as of May 31, 2014 and 2013, respectively. The loan is unsecured and the proceeds were used for the exercise of a purchase option of \$10,000 to purchase real estate from Black River Moose Development LLC in Lyons Falls, New York on June 15, 2012.

Annual principle future maturities of long term debt as of May 31, 2014 are as follows:

2015	\$	2,045
2016		2,144
2017		<u>1,104</u>
Total	\$	<u>5,293</u>

NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The bonds are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond holders, and funds arising from issues 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. At May 31, 2014 and 2013 there were no outstanding industrial development revenue bonds.

NOTE 11 – REVOLVING LOAN FUND GRANT REVENUE

The Agency was awarded a Rural Business Enterprise Grant (RBEG) from the United States Department of Agriculture (USDA), Rural Development in the amount of \$90,000. The grant agreement consists of a revolving loan fund for eligible businesses. On March 6, 2014 the Agency received \$25,000 in grant revenue to provide a loan to Bark Eater Craft Brewery, LLC (recipient). A promissory note was signed by the recipient. See note 8. Per the grant agreement, the Agency must use the proceeds from the loan repayment for other Agency approved loans and cannot be used for general operations of the Agency.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

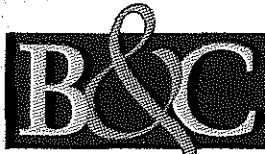
May 31, 2014 and 2013

NOTE 12 – RELATED PARTY TRANSACTIONS

The Agency entered into a loan agreement with a member of the Board of Directors on March 6, 2014. The board member received a loan from the Agency as part of the USDA revolving loan fund grant program (See Note 11) to provide financing to the Bark Eater Craft Brewery, LLC. At May 31, 2014, the amount of the loan outstanding to the related party was \$24,243.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through July 1, 2014 which is the date that the financial statements were available to be issued.



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

BOARD OF DIRECTORS
COUNTY OF LEWIS 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 **COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**, as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise County of Lewis Industrial Development Agency's basic financial statements and have issued our report thereon dated July 1, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered County of Lewis Industrial Development Agency's internal control over financial reporting (internal control) to determine the auditing 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 the County of Lewis Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Lewis 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 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 over financial reporting 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. We did identify a deficiency in internal control, described in the following paragraph that we consider to be a significant deficiency. Finding 2014-1 is considered a significant deficiency.

FINDING 2014-1 SIGNIFICANT DEFICIENCY PREPARATION OF FINANCIAL STATEMENTS

Condition: Management chooses to have the auditors prepare the financial statements, including full footnote disclosure, instead of preparing the financial statements themselves.

Criteria: The preparation of the financial statements by an auditor can be considered an internal control deficiency.

Cause: While it is common practice for the auditor to prepare the financial statements; management's choice to have the auditor prepare the financial statements is a significant deficiency.

Effect: Management needs to determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained.

Recommendation: An appropriate control could be hiring additional staff with the knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

Response: It is felt that the cost of contracting with another accounting firm to prepare the statement for the LCIDA is not cost beneficial or cost effective. Internal statements are prepared on a regular basis and reviewed by the Board of Directors. The operating expense before PILOTS is only \$100,000 and the bottom line is in the negative. The average numbers of checks written per month is only 19 and are reviewed by the Directors. For small agencies with modest budgets, such as LCIDA, the expense of another accounting firm is cost prohibitive.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether County of Lewis Industrial Development Agency's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

Response to Findings

County of Lewis Industrial Development Agency's response to the findings identified in our audit is described above. County of Lewis Industrial Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Banner & Company

Watertown, New York
July 1, 2014