

**C**OUNTY OF LEWIS INDUSTRIAL  
DEVELOPMENT AGENCY

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*FINANCIAL STATEMENTS*

May 31, 2017 and 2016

# Table of Contents

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## COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT _____	1
MANAGEMENT'S DISCUSSION AND ANALYSIS _____	3
AUDITED FINANCIAL STATEMENTS _____	10
STATEMENTS OF NET POSITION _____	10
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION _____	12
STATEMENTS OF CASH FLOWS _____	13
NOTES TO FINANCIAL STATEMENTS _____	14
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 <i>GOVERNMENT AUDITING STANDARDS</i>	23
SCHEDULE OF FINDINGS AND RESPONSES _____	25
REPORT ON SECTION 2925(3)(F) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW _____	26



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**INDEPENDENT AUDITORS' REPORT**

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**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** (Agency), a component unit of the County of Lewis, New York, as of and for the years ended May 31, 2017 and 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2017 and 2016, and the changes in its financial position, and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

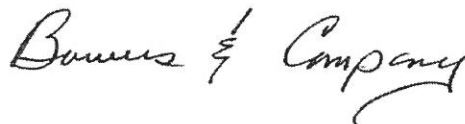
### ***Other Matters***

#### ***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 9 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 31, 2017 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 31, 2017

## **COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2017 and 2016

#### **INTRODUCTION**

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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, 2017. 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 to the financial statements to better understand the Agency's financial position.

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**

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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, MDBB Enterprises, Snow Ridge Ski Resort, and Bark Eater Craft Brewery. 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 new and existing businesses, as well as larger manufacturing companies. This past year we provided in cooperation with our economic partner, New York State Business Development Corporation, over 50 hours of business counseling to approximately 20 local citizens. We continue to work cooperatively with local partners and municipalities to build opportunity for new business growth.

## COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2017 and 2016

#### OPERATION HIGHLIGHTS - CONTINUED

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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:

- Site visits to large and small, local businesses
- Coordinating the Lewis County Manufacturer's committee with regular meetings
- Assisting Lewis County Businesses with information and guidance for grant applications
- Organization Participation – Allows the LCIDA to interact with industry and other economic development agencies on a regular basis to learn more about their issues and to find solutions. Some of the major organizations are:
  - Lewis County Legislator Economic Development Committee
  - Comprehensive Economic Development Strategy Committee (CEDs)
  - North Country Regional Economic Development Council
  - Lewis County Development Corporation
  - Drum Country Business
  - Lewis County Leadership Academy
  - North Country Alliance (NCA)
  - Jefferson Lewis Workforce Development Board

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

#### FINANCIAL HIGHLIGHTS

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- The assets of the LCIDA exceeded its liabilities at the most recent fiscal year by \$1,236,105 (net position). Net Position increased from the prior year by \$110,142 or 9.8%. The LCIDA is actively considering future revenue streams to ensure it can continue its long-term focus.
- During the most recent fiscal year revenues exceed expenses by \$110,142. This compares to last year of expenses exceeding revenue by \$120,118.
- Interest Revenue for 2017 was \$9,518 and \$4,123 in 2016.
- Expenses other than PILOT expense to operate the Agency increased by \$139,196 or 91%.

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**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2017 and 2016

**OVERVIEW OF FINANCIAL STATEMENTS**

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Net Position serves as an indicator of the LCIDA's financial position. Increases or decreases in net position may indicate over a period 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 2017, 2016, and 2015.

	2017	2016	2015
<b>ASSETS</b>			
Current and Other Assets	\$ 1,349,792	\$ 1,406,917	\$ 955,338
Capital Assets	528,041	286,964	197,653
Long Term Receivables	159,602	190,382	115,224
Total Assets	<u>\$ 2,037,435</u>	<u>\$ 1,884,263</u>	<u>\$ 1,268,215</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 190,944	\$ 67,130	\$ 19,991
Other Liabilities	610,386	691,170	-
Long-Term Liabilities	-	-	2,143
Total Liabilities	<u>\$ 801,330</u>	<u>\$ 758,300</u>	<u>\$ 22,134</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 528,041	\$ 286,964	\$ 197,653
Restricted	50,000	25,000	25,000
Unrestricted	658,064	813,999	1,023,428
Total Net Position	<u>\$ 1,236,105</u>	<u>\$ 1,125,963</u>	<u>\$ 1,246,081</u>

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2017 and 2016

**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 increased the LCIDA's net position by \$110,142. Key elements of this increase are as follows:

CHANGES IN NET POSITION

	As Stated		Without PILOT	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Payment in Lieu of Taxes	\$ 311,135	\$ 426,966	\$ -	\$ -
Agency Fees	192,562	3,933	192,562	3,933
Rental Income	9,350	10,200	9,350	10,200
Contract Revenue	156,977	8,830	156,977	8,830
Miscellaneous	9,246	6,220	9,246	6,220
Total Revenues	<u>679,270</u>	<u>456,149</u>	<u>368,135</u>	<u>29,183</u>
<b>OPERATING EXPENSES</b>				
Payment in Lieu of Taxes	311,135	426,966	-	-
General Operations	158,089	124,675	158,089	124,675
Professional Fees	18,047	21,830	18,047	21,830
Depreciation	4,342	4,343	4,342	4,343
Other	112,033	2,467	112,033	2,467
Total Operating Expenses	<u>603,646</u>	<u>580,281</u>	<u>292,511</u>	<u>153,315</u>
Operating Gain (Loss)	75,624	(124,132)	75,624	(124,132)
<b>NON-OPERATING REVENUES</b>				
Grant Revenue	25,000	-	25,000	-
Interest (Net)	9,518	4,014	9,518	4,014
Total Non-Operating Revenue	<u>34,518</u>	<u>4,014</u>	<u>34,518</u>	<u>4,014</u>
Change in Net Position	110,142	(120,118)	110,142	(120,118)
Net Position, Beginning of Year	1,125,963	1,246,081	1,125,963	1,246,081
Net Position, End of Year	<u>\$ 1,236,105</u>	<u>\$ 1,125,963</u>	<u>\$ 1,236,105</u>	<u>\$ 1,125,963</u>



**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2017 and 2016

**OVERVIEW OF FINANCIAL STATEMENTS - CONTINUED**

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**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 \$139,196 or 91%. This change was largely due to increases in Project Expenses and Salary and Wages Expense. The Agency does not depend on any taxpayer's dollars to fund operations of the Agency.

**CAPITAL ASSETS & LONG TERM DEBT ACTIVITY**

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The LCIDA net investment in capital assets as of May 31, 2017, amounted to \$528,041 (net of depreciation). The LCIDA's investment in capital assets includes Leasehold Improvements, Furniture & Fixtures, and Equipment, Purchase Option on Real Estate, Property Held for Lease, and Equipment Held for Sale.

- Leasehold Improvements - improvements made to the office of LCIDA.
- Furniture & Fixtures, and Equipment - assets used for the LCIDA general operations.

A summary of Capital Assets:

	2017	2016	2015
Leasehold Improvements	\$ 5,264	\$ 5,264	\$ 5,264
Furniture & Fixtures, Equipment	3,830	3,830	3,830
Investment in Business Park Property	45,427	8,200	-
Purchase Option on Real Estate	15,000	10,000	10,000
Property and Equipment Held for Sale	288,646	85,454	-
Property Held for Lease	199,232	199,232	199,232
	<u>557,399</u>	<u>311,980</u>	<u>218,326</u>
Accumulated Depreciation	<u>(29,358)</u>	<u>(25,016)</u>	<u>(20,673)</u>
Net Capital Assets	<u>\$ 528,041</u>	<u>\$ 286,964</u>	<u>\$ 197,653</u>

A summary of Long Term Debt:

	2017	2016	2015
Loan - Community Bank	\$ -	\$ 1,105	\$ 2,143
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 1,105</u>	<u>\$ 2,143</u>

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## COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2017 and 2016

### ECONOMIC OUTLOOK AND THE LCIDA

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During the 2016-2017 year, several projects were started which will enhance the economy for 2017-2018. They are:

- Wind Farm Projects –The LCIDA was involved in negotiations multiple wind projects as they begin to seek property tax benefits. LCIDA assists the local taxing jurisdictions in communication with wind development companies and analysis of the PILOT terms.
- Own Energy Wind Farm- This project initiated activity in late 2016 and made a first installment of its project fee to the LCIDA. Formal construction will start in late 2017. The project will include approximately 40 towers and 79 MW of energy production in the Town of Denmark.
- Lyons Falls Mill – Redevelopment at the mill property has continued to progress in the last 12 months with approximately 80% of the structures demolished. Phase 3 of the project finalized in May 2017. The LCIDA is cooperating with the LCDC to seek additional funding for Phase 4 and to identify business and investment for the future use of the property.
- Lewis County Business Park – The LCIDA made significant progress on development of a commerce park. LCIDA has been working with an engineering firm on the NYS Shovel Ready certification process. Much of this work has been completed and we expect to submit the Shovel Ready application later in 2017. Final negotiations with the property have occurred and LCIDA expects to enter a formal purchase agreement. The LCIDA was awarded a \$135,000 NYS grant to assist with phase 1 of the development of the commerce park property.
- The LCIDA is actively marketing its small business loan portfolio and general guidance. During the 2016-17 fiscal year loans were closed with Snow Ridge Ski Resort and ArborCare, Inc.
- The LCIDA provided sale leaseback financing to BarkEater Craft Brewing for an expansion of its production system. The equipment and BarkEater's brewhouse are located in a building owned by the LCIDA. A ten year lease to own is in place with the company for both the building and the brewing equipment. Subsequent to the fiscal year end, LCIDA terminated these lease agreements with BarkEater Craft Brewing and currently holds the equipment and building for sale
- The LCIDA Board and Executive Director are actively considering new projects to enhance sustainable revenue opportunities and provide more opportunities for projects to benefit private businesses. In 2017, the LCIDA has continued its partnership with Lewis County Economic Development and Lewis County Development Corporation. The coordination of all three entities will benefit overall program efforts.

## COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2017 and 2016

### CONTACT THE LCIDA FINANCIAL MANAGEMENT

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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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County of Lewis Industrial Development Agency  
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**Prepared by:**

Eric Virkler, Executive Director  
County of Lewis Industrial Development  
Agency

AUDITED FINANCIAL STATEMENTS

**STATEMENTS OF NET POSITION**

May 31, 2017 and 2016

	<b>ASSETS</b>	
	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Unrestricted Cash	\$ 598,698	\$ 693,481
Restricted Cash	537,871	639,170
Total Cash	<u>1,136,569</u>	<u>1,332,651</u>
Accounts Receivable	189,028	57,486
Interest Receivable	3,000	3,000
Current Portion of Long Term Receivables	21,195	13,205
Prepaid Expense	<u>-</u>	<u>575</u>
Total Current Assets	<u>1,349,792</u>	<u>1,406,917</u>
<b>NON CURRENT ASSETS</b>		
Long Term Receivables	159,602	190,382
Property Held for Lease, Net of Accumulated Depreciation	178,968	183,310
Purchase Option on Real Estate	15,000	10,000
Investment in Property for Business Park	45,427	8,200
Property and Equipment Held for Sale	<u>288,646</u>	<u>85,454</u>
Total Other Assets	<u>687,643</u>	<u>477,346</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,037,435</u>	<u>\$ 1,884,263</u>

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

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LIABILITIES AND NET POSITION

	2017	2016
CURRENT LIABILITIES		
Accounts Payable	\$ 190,944	\$ 66,025
Current Portion of Long Term Debt	-	1,105
Total Current Liabilities	<u>190,944</u>	<u>67,130</u>
NON CURRENT LIABILITIES		
Long Term Debt	-	-
Deferred Contract Revenue	610,386	691,170
Total Long Term Liabilities	<u>610,386</u>	<u>691,170</u>
Total Liabilities	<u>801,330</u>	<u>758,300</u>
NET POSITION		
Net Investment in Capital Assets	528,041	286,964
Restricted	50,000	25,000
Unrestricted	658,064	813,999
Total Net Position	<u>1,236,105</u>	<u>1,125,963</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,037,435</u>	<u>\$ 1,884,263</u>

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See accompanying notes to financial statements.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**

Years Ended May 31, 2017 and 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Payment in Lieu of Taxes	\$ 311,135	\$ 426,966
Rental Revenue	9,350	10,200
Agency Fees	192,562	3,933
Application Fee Revenue	-	250
Contract Revenue	156,977	8,830
Other Revenue	9,246	5,970
Total Operating Revenue	<u>679,270</u>	<u>456,149</u>
<b>OPERATING EXPENSES</b>		
Payment in Lieu of Taxes	311,135	426,966
Salaries and Wages	124,054	86,374
Payroll Taxes and Employee Benefits	7,342	3,312
Insurance	4,051	5,508
Office Supplies and Expenses	7,598	1,711
Professional Fees	18,047	21,830
Rent	7,875	6,900
Utilities	3,001	3,389
Travel, Meals, Seminars and Cell Phone	2,221	2,895
Depreciation	4,342	4,343
Maintenance and Repairs	455	184
Dues and Subscriptions	208	140
Printing	1,182	794
Marketing	102	13,468
Economic Development Expense	112,033	2,467
Total Operating Expenses	<u>603,646</u>	<u>580,281</u>
OPERATING INCOME (LOSS)	75,624	(124,132)
<b>NONOPERATING REVENUE</b>		
Grant Revenue	25,000	-
Interest Expense	-	(109)
Interest Revenue	9,518	4,123
Total Nonoperating Revenue	<u>34,518</u>	<u>4,014</u>
Change in Net Position	110,142	(120,118)
Net Position, Beginning of Year	<u>1,125,963</u>	<u>1,246,081</u>
Net Position, End of Year	<u>\$ 1,236,105</u>	<u>\$ 1,125,963</u>

See accompanying notes to financial statements.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENTS OF CASH FLOWS**

Years Ended May 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 466,944	\$ 1,112,061
Payments to Suppliers	(342,414)	(442,825)
Payments to Employees	(131,396)	(89,686)
	<u>(6,866)</u>	<u>579,550</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipt of Grant Revenue	25,000	-
Issuance of Note Receivable	(76,330)	(89,000)
Purchase of Equipment Held for Sale	(101,526)	(85,454)
Repayment of Note Receivable	7,382	5,437
	<u>(145,474)</u>	<u>(169,017)</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Principal and Interest Payments on Long Term Debt	(1,105)	(2,252)
	<u>(1,105)</u>	<u>(2,252)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Investment Property	(47,155)	(8,200)
Interest Earned	9,518	4,123
Purchase Option	(5,000)	-
	<u>(42,637)</u>	<u>(4,077)</u>
Net Increase (Decrease) in Cash	(196,082)	404,204
Cash, Beginning of Year	1,332,651	928,447
Cash, End of Year	<u>\$ 1,136,569</u>	<u>\$ 1,332,651</u>
<b>Reconciliation of Operating Loss to Net Cash Used In</b>		
Operating Activities:		
Operating Income (Loss)	\$ 75,624	\$ (124,132)
Depreciation	4,342	4,343
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	575	3,712
Accounts Receivable	(131,542)	(42,682)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	124,919	47,139
Deferred Revenue	(80,784)	691,170
	<u>(6,866)</u>	<u>579,550</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (6,866)</u>	<u>\$ 579,550</u>

See accompanying notes to financial statements.

## COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

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### NOTES TO FINANCIAL STATEMENTS

May 31, 2017 and 2016

#### NOTE 1 – NATURE OF OPERATIONS

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##### **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 Agency is considered to be a component unit of Lewis County since the Lewis County Board of Legislators appoints the Agency’s board of directors. Lewis County does not include the Agency’s financial statements as a component unit in their financial statements since the Agency board members have complete responsibility for the management of the Agency and accountability for fiscal matters.

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

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##### **Basis of Presentation and 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.



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**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**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.

**Payment in Lieu of Tax Agreements**

The Agency has entered into a Payment in Lieu of Tax (PILOT) agreement with various companies, whereas the company will make annual payments in lieu of taxes to the Agency and the Agency will remit annual payments to the appropriate tax jurisdictions. The Agency will have a liability for any amounts paid by the company to the Agency, but not distributed to tax jurisdictions.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**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. All capital assets are fully depreciated.

**Recently Issued and Adopted Accounting Pronouncements**

The Agency has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the Agency implemented the following new statements issued by GASB:

GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued Statement No. 80, *Blending Requirements for Certain Components Units – an amendment of GASB Statement No. 14*, effective for the year ending June 30, 2017.

**NOTE 3 – CASH**

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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**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 3 – CASH - Continued**

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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, 2017 per the banks were \$1,242,514. These deposits are categorized as follows:

(1)	(2)	(3)
\$ 356,798	\$ 885,716	\$ 0

**NOTE 4 – RENT AGREEMENT**

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The Agency pays monthly rent to Jim Arvanites for occupied office space. The monthly rent is \$900 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**

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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**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 6 – PROPERTY HELD FOR LEASE**

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

	<b>2017</b>	<b>2016</b>
Building and Land	\$ 199,232	\$ 199,232
Accumulated Depreciation	<u>(20,264)</u>	<u>(15,922)</u>
Total	<u>\$ 178,968</u>	<u>\$ 183,310</u>

There were no addition or disposals to the property held for lease during the years ended May 31, 2017 and 2016.

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 \$178,968 as of May 31, 2017. 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:

2018	\$ 10,200
2019	10,200
2020	10,200
2021	10,200
2022	10,200
Thereafter	<u>3,400</u>
Total	<u>\$ 54,400</u>

**NOTE 7 – PURCHASE OPTION ON REAL ESTATE**

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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, 2021.

On March 2, 2017, a payment of \$5,000 was issued to renew the property option for the Business Park with a private property owner.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 8 – PROPERTY AND EQUIPMENT HELD FOR SALE**

As of April 25, 2016, the Agency entered into an installment sale agreement with Bark Eater Craft Brewery, LLC. The amount of the investment in the equipment was \$186,980 and \$85,454 as of May 31, 2017, and 2016, respectively. On June 1, 2017, the Bark Eater Craft Brewery, LLC exercised its option to terminate the installment sale agreement. The equipment is being held for sale by the Agency.

As of June 1, 2017, the Bark Eater Craft Brewery, LLC terminated its direct financing lease with the Agency. The building is now in possession of the Agency and is being held for sale. The amount of the investment in the building was \$101,666 as of May 31, 2017.

**NOTE 9 – INVESTMENT IN PROPERTY FOR BUSINESS PARK**

The Agency has identified a site for a future business park near the Village of Lowville. A purchase option has been agreed upon with a private owner. The Agency has incurred preliminary site costs in the amounts of \$45,427 and \$8,200 for the years ended May 31, 2017 and 2016, respectively.

**NOTE 10 – LONG TERM RECEIVABLES**

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, 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, 2021. Beginning on May 10, 2021, the Agency shall receive monthly installments of principle plus interest each month through the maturity date of April 10, 2031. The outstanding note receivable balance as of May 31, 2017 and 2016 was \$100,000 for both years.

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 \$463 of principle plus interest each month through the maturity date of March 1, 2019. The outstanding note receivable balance as of May 31, 2017 and 2016 was \$11,905 and \$15,224, respectively.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 10 – LONG TERM RECEIVABLES - Continued**

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The Agency also entered a direct financing lease with Bark Eater Craft brewery, LLC, on April 28, 2016 in the amount of \$103,217 for the purchase of property. The interest rate is 3% per year. Monthly principle and interest payments of \$859 are to be received through April 1, 2026. The outstanding receivable balance as of May 31, 2017 and 2016 was \$-0- and \$102,580 respectively. The lease agreement was terminated on June 1, 2017, and the property returned to the Agency.

On August 30, 2016, the Agency entered into an agreement with Snow Ridge Ski Resort to provide them with a loan for \$50,000 at an interest rate of 4.50% over 5 years (60 Payments). Principal and interest payments of \$932.15 will be due each month. This loan consists of two separate promissory notes at \$25,000 each. The balance of these receivables at May 31, 2017 was \$43,929.

On May 19, 2017, the Agency entered into an agreement with ArborCare to provide them with a Microloan of \$25,300 at an interest rate of 5.00% over 5 years. Principal and interest payments of \$468 are due each month. The balance of the receivable at May 31, 2017 was \$24,963.

	<b>2017</b>	<b>2016</b>
Total Notes and Lease Receivables	\$ 180,797	\$ 203,587
Less: Current Portion	<u>(21,195)</u>	<u>(13,205)</u>
Net Long Term Receivables	<u>\$ 159,602</u>	<u>\$ 190,382</u>

Annual principle future maturities of the note receivables as of May 31, 2017 are as follows:

2018	\$ 21,195
2019	19,035
2020	15,182
2021	15,905
2022	18,186
Thereafter	<u>91,294</u>
Total	<u>\$ 180,797</u>

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 11 – LONG TERM DEBT**

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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 \$-0- and \$1,105 as of May 31, 2017 and 2016, 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.

**NOTE 12 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

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The bonds are not obligations of the Agency or the State. The Agency does not record 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, 2017 and 2016 there were no outstanding industrial development revenue bonds.

**NOTE 13 – REVOLVING LOAN FUND GRANT REVENUE**

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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. 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. The total amount of grant revenue received is reported as a restricted net position of \$50,000 and \$25,000 as of May 31, 2017 and 2016, respectively.

**NOTE 14 – CONTRACT REVENUE**

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On March 7, 2016, the Agency received \$700,000 from the County of Lewis with a memorandum of understanding that the funding is to be used by the Agency for economic development projects that benefit the communities of Lewis County. For the years ended May 31, 2017 and 2016, contract revenue was recognized in the amount of \$156,977 and \$8,830, respectively. As of May 31, 2017, and 2016, deferred contract revenue was \$534,193 and \$691,170, respectively.

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**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**

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**NOTES TO FINANCIAL STATEMENTS**

May 31, 2017 and 2016

**NOTE 15 – SUBSEQUENT EVENTS**

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Subsequent events were evaluated through July 31, 2017 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**

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**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, 2017, 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 31, 2017.

**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 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the schedule of findings and responses that we consider to be a significant deficiency. Finding 2017-001 is considered a significant deficiency.

### **Compliance and Other Matters**

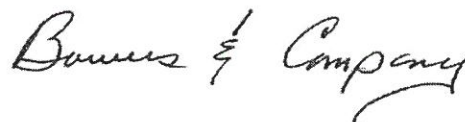
As part of obtaining reasonable assurance about whether County of Lewis Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 listed in the schedule of findings and responses. 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 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.



Watertown, New York  
July 31, 2017

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COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

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**SCHEDULE OF FINDINGS AND RESPONSES**

May 31, 2017

**FINDING 2017-001 SIGNIFICANT DEFICIENCY  
PREPARATION OF FINANCIAL STATEMENTS**

*Condition:* Management is unable to prepare the financial statements in accordance with GAAP and relies on the external auditor to prepare the financial statements. The auditor also prepares several journal entries to correct account balances.

*Criteria:* Management needs to exercise control over the preparation of its financial statements. To exercise control, management must possess the necessary accounting expertise to prevent, detect and correct a potential misstatement in its financial statements.

*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 may not be able to detect and correct potential misstatements in its financial statements.

*Recommendation:* An appropriate internal 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. For small agencies with modest budgets, such as LCIDA, the expense of another accounting firm is cost prohibitive.



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**REPORT ON SECTION 2925(3)(F) OF THE NEW YORK STATE PUBLIC  
AUTHORITIES LAW**

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**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, 2017, 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 31, 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 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 specified parties.

*Bowers & Company*

Watertown, New York  
July 31, 2017

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