

COUNTY OF LEWIS INDUSTRIAL
DEVELOPMENT AGENCY
A COMPONENT OF THE COUNTY OF LEWIS,
NEW YORK

FINANCIAL STATEMENTS

May 31, 2018 and 2017

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A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

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INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's 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.

Auditor's 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.

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, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 14 to the financial statements, a prior period adjustment of \$691,170 was made to increase the beginning restricted net position balance as of June 1, 2016 to reclassify contract revenue previously reported as unearned revenue to restricted net position. The adjustment also included a restatement to the financial statements for the year ended May 31, 2017 to decrease revenue and restricted net position by \$(80,784).

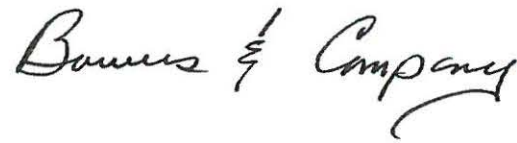
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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, 2018 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.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
July 31, 2018

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2018 and 2017

INTRODUCTION

The following is the County of Lewis Industrial Development Agency's (the "Agency") Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal year end May 31, 2018. Information contained in the MD&A has been prepared by the Agency 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 Agency's financial performance.

OPERATION HIGHLIGHTS

The Agency 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 Agency has ongoing Projects with MA&N Railroad, Otis Technology, Lakeside Energy Beaver Falls, Red Barn Meats, Victorian Lake LLC, MDBB Enterprises, Snow Ridge Ski Resort, Johnson Lumber Company, Skewed Brewing, Arborcare, Inc, and Bark Eater Craft Brewery. The Agency has provided a means of financial benefits for approximately 40 large Projects in the amount of over 286 million dollars.

During this past year the Agency continued to support new and existing businesses, as well as larger manufacturing companies. In cooperation with our partners, New York State Business Development Corporation, the Lewis County Chamber of Commerce and Cornell Cooperative Extension, we provide consulting and business training services to local citizens and business owners. Multiple training opportunities were provided in 2018 along with direct one on one consultations. We continue to work cooperatively with local partners and municipalities to build opportunity for new business growth.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2018 and 2017

OPERATION HIGHLIGHTS - Continued

The Agency 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
- Working with Lewis County Manufacturer's, educational organizations and workforce development organizations to understand workforce and skilled training needs
- Assisting Lewis County Businesses with information and guidance for grant applications
- Organization Participation – Allows the Agency 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
 - 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 Agency is a small agency focused on promoting Naturally Lewis and our strengths in agriculture, natural resources and small businesses to create a positive economic attitude and growth in Lewis County.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at the most recent fiscal year by \$2,311,806 (net position). Net Position increased from the prior year by \$465,315 or 25.2%. The Agency 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 \$465,315. Last year revenues exceeded expenses by \$29,358.
- Interest Revenue for 2018 was \$10,482 compared to \$9,518 in 2017.
- Expenses of the Agency decreased by \$56,963 or 19.5%.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2018 and 2017

OVERVIEW OF FINANCIAL STATEMENTS

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

Condensed Comparative Financial Statements

The following provides an overview of the Agency assets, liabilities, and net position at the close of fiscal years 2018, 2017, and 2016.

Condensed Statements of Financial Position

	2018	2017 (As Restated)	2016 (As Restated)
ASSETS			
Current and Other Assets	\$ 1,451,817	\$ 1,349,792	\$ 1,406,917
Capital Assets	523,112	528,041	286,964
Long Term Notes Receivables	347,636	159,602	190,382
Total Assets	\$ 2,322,565	\$ 2,037,435	\$ 1,884,263
LIABILITIES			
Current/Total Liabilities	\$ 10,759	\$ 190,944	\$ 67,130
NET POSITION			
Net Investment in Capital Assets	\$ 523,112	\$ 528,041	\$ 286,964
Restricted	798,043	586,222	639,170
Unrestricted	990,651	732,228	890,999
Total Net Position	\$ 2,311,806	\$ 1,846,491	\$ 1,817,133

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2018 and 2017

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 Agency's net position changed during the most recent year and the previous two years. Business type activities increased the Agency's net position by \$465,315 for the year ended May 31, 2018.

CHANGES IN NET POSITION

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	2018	2017 (As Restated)	2016 (As Restated)
OPERATING REVENUES			
Agency Fees	\$ 235,799	\$ 192,562	\$ 3,933
Rental Income	14,452	9,350	10,200
Contract Revenue	400,000	-	700,000
Miscellaneous	26,130	9,246	6,220
Total Revenues	676,381	211,158	720,353
OPERATING EXPENSES			
General Operations	200,889	158,089	124,675
Professional Fees	20,650	18,047	21,830
Depreciation	5,906	4,342	4,343
Other	8,103	112,033	2,467
Total Operating Expenses	235,548	292,511	153,315
Operating Income (Loss)	440,833	(81,353)	567,038
NON-OPERATING REVENUES			
Grant Revenue	14,000	101,193	-
Interest Revenue	10,482	9,518	4,014
Total Non-Operating Revenue	24,482	110,711	4,014
Change in Net Position	465,315	29,358	571,052
Net Position, Beginning of Year, Restated	1,846,491	1,817,133	1,246,081
Net Position, End of Year	\$ 2,311,806	\$ 1,846,491	\$ 1,817,133

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2018 and 2017

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Analysis of Transaction of Individual Funds

Operating expenses decreased by \$56,963 or 19.5%. This change was largely due to increases in Project Expenses and Salary and Wages Expenses. The Agency does not depend on any taxpayer's dollars to fund operations of the Agency.

CAPITAL ASSETS & LONG TERM DEBT ACTIVITY

The Agency net investment in capital assets as of May 31, 2018, amounted to \$523,112 (net of depreciation). The Agency's investment in capital assets includes Purchase Options on Real Estate, Property Held for Lease, and Equipment Held for Sale.

A summary of Capital Assets:

	2018	2017	2016
Construction in Progress	\$ 78,384	\$ 45,427	\$ 8,200
Purchase Option on Real Estate	170,000	15,000	10,000
Property and Equipment Held for Sale	-	-	85,454
Property Held for Lease	300,898	487,878	199,232
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	549,282	548,305	302,886
Accumulated Depreciation	(26,170)	(20,264)	(15,922)
	<hr/>	<hr/>	<hr/>
Net Capital Assets	<u>\$ 523,112</u>	<u>\$ 528,041</u>	<u>\$ 286,964</u>

A summary of Long Term Debt:

	2018	2017	2016
Loan - Community Bank/			
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,105</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2018 and 2017

ECONOMIC OUTLOOK AND THE AGENCY

During the 2017-2018 year, several projects were started which will enhance the economy for 2018-2019. They are:

- Wind Farm Projects –The Agency was involved in negotiations multiple wind projects as they begin to seek property tax benefits. The Agency assists the local taxing jurisdictions in communication with wind development companies and analysis of the PILOT terms.
- Denmark Wind Farm - This project-initiated activity in late 2016 and made a first installment of its project fee to the Agency. Formal construction started in late 2017 with full tower construction occurring during 2018. The project will include approximately 35 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. The final phase of demolition and cleanup will start in late 2018 and the entire property should be ready for use in 2019. During this fiscal year the project secured funding for over \$1,000,000 for this final phase. The Agency is partnering with the LCDC and is currently working with a tenant to occupy the High Falls Building on the property. This tenant will initiate a startup value added dairy production operation. The Agency 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 – During the fiscal year, the preliminary application for NYS Shovel Ready status was provided to Empire State Development. We also initiated site permitting and zoning amendment requests to the Town of Lowville.
- The Agency transferred its sale leaseback financing for a craft brewing system from BarkEater Craft Brewing to Skewed Brewing. This new company is finalizing it's licensing to begin producing beer later in 2018. The LCIDA also provided Skewed Brewing a \$29,500 small business loan.
- Climax Manufacturing Building – The Agency has been actively pursuing the purchase of this 160,000 square foot building in Lowville. A purchase agreement is in place and the seller is finalizing legal issues to allow the sale to move forward. The LCIDA believes the acquisition will take place in 2018-19 fiscal year. The building is intended to be used as operational space for multiple tenants with two tenants currently identified.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2018 and 2017

ECONOMIC OUTLOOK AND THE AGENCY - Continued

- The Agency 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 2018, the Agency 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.

- The LCIDA Board experienced change in 2017-18. Longtime member and Chairman Roscoe Fawcett passed away in January 2018. Craig Brennan and Shawn Moshier also left the Board after providing positive service to the Agency. New members Ronald Burns, Gagan Singh and Gerald Cayer joined the LCIDA board in 2018 and are beginning to make strong contributions to the organization.

CONTACT MANAGEMENT

This financial report is designed to provide the public with a general overview of the Agency finances and to show the Agency's 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:

Eric Virkler, Executive Director
County of Lewis Industrial Development
Agency

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

May 31, 2018 and 2017

ASSETS

	2018	2017 (As Restated)
CURRENT ASSETS		
Unrestricted Cash	\$ 601,657	\$ 550,347
Restricted Cash	798,043	586,222
Total Cash	1,399,700	1,136,569
Accounts Receivable	12,507	189,028
Interest Receivable	3,000	3,000
Prepaid Expenses	1,248	-
Current Portion of Notes Receivables	35,362	21,195
Total Current Assets	1,451,817	1,349,792
NON CURRENT ASSETS		
Purchase Option on Real Estate	170,000	15,000
Notes Receivable	347,636	159,602
Construction in Progress	78,384	45,427
Property Held for Lease	274,728	467,614
Total Other Assets	870,748	687,643
TOTAL ASSETS	\$ 2,322,565	\$ 2,037,435

LIABILITIES AND NET POSITION

Accounts Payable/Total Liabilities	\$ 10,759	\$ 190,944
NET POSITION		
Net Investment in Capital Assets	523,112	528,041
Restricted	798,043	586,222
Unrestricted	990,651	732,228
TOTAL NET POSITION	\$ 2,311,806	\$ 1,846,491

See accompanying notes to financial statements.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Years Ended May 31, 2018 and 2017

	2018	2017 (As Restated)
OPERATING REVENUES		
Rental Revenue	\$ 14,452	\$ 9,350
Agency Fees	235,799	192,562
Application Fee Revenue	1,000	-
Contract Revenue	400,000	-
Other Revenue	25,130	9,246
Total Operating Revenue	676,381	211,158
OPERATING EXPENSES		
Salaries and Wages	145,046	124,054
Payroll Taxes and Employee Benefits	15,479	7,342
Bank Service Charges	15	-
Building Occupancy Expenses	4,516	455
Depreciation	5,906	4,342
Dues and Subscriptions	157	208
Economic Development Expenses	8,103	112,033
Insurance	5,676	4,051
Marketing	9,741	102
Office Supplies and Expenses	4,058	7,598
Printing	1,626	1,182
Professional Fees	20,650	18,047
Rent	9,900	7,875
Travel and Conferences	2,129	2,221
Utilities	2,546	3,001
Total Operating Expenses	235,548	292,511
OPERATING INCOME (LOSS)	440,833	(81,353)
NON-OPERATING REVENUE		
Grant Revenue	14,000	101,193
Interest Revenue	10,482	9,518
Total Non-Operating Revenue	24,482	110,711
Change in Net Position	465,315	29,358
Net Position, Beginning of Year	1,846,491	1,125,963
Prior Period Adjustment	-	691,170
Net Position, Beginning of Year, As Restated	1,846,491	1,817,133
Net Position, End of Year	\$ 2,311,806	\$ 1,846,491

See accompanying notes to financial statements.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

STATEMENTS OF CASH FLOWS

Years Ended May 31, 2018 and 2017

	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 852,902	\$ 390,751
Payments to Suppliers	(250,550)	(342,414)
Payments to Employees	(160,525)	(131,396)
Net Cash Provided By (Used In) Operating Activities	<u>441,827</u>	<u>(83,059)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Grant Revenue	14,000	101,193
Issuance of Notes Receivable	(29,500)	(76,330)
Purchase of Property Held for Lease	-	(101,526)
Repayment of Note Receivable	14,279	7,382
Net Cash Used In Noncapital Financing Activities	<u>(1,221)</u>	<u>(69,281)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Principal and Interest Payments on Long - Term Debt	-	(1,105)
Net Cash Used In Capital and Financing Activities	<u>-</u>	<u>(1,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in Progress	(32,957)	(47,155)
Interest Earned	10,482	9,518
Purchase Option on Real Estate	(155,000)	(5,000)
Net Cash Used In Investing Activities	<u>(177,475)</u>	<u>(42,637)</u>
Net Increase (Decrease) in Cash	263,131	(196,082)
Cash, Beginning of Year	<u>1,136,569</u>	<u>1,332,651</u>
Cash, End of Year	<u>\$ 1,399,700</u>	<u>\$ 1,136,569</u>
Reconciliation of Operating Loss to Net Cash Used In		
Operating Activities:		
Operating Income	\$ 440,833	\$ (81,353)
Depreciation	5,906	4,342
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(1,248)	575
Accounts Receivable	176,521	(131,542)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(180,185)	124,919
Net Cash Provided By (Used In) Operating Activities	<u>\$ 441,827</u>	<u>\$ (83,059)</u>

See accompanying notes to financial statements.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

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 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

Measurement Focus, Basis of Accounting and Financial Statements Presentation

The Agency’s statements are reported using the economic resources measurement’s focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. In accordance with GASB Statement No. 62, the Agency’s proprietary funds follow all FASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The Agency also applies all FASB statements issued after November 30, 1989 that are developed for business enterprises, unless those statements conflict with or contradict a GASB statement.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The Agency’s basic financial statements are presented in conformance with the provisions of GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments”.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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

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

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

Cash

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. There were no cash equivalents at May 31, 2018 and 2017, respectively.

There was no cash paid for interest or income taxes for the years ended May 31, 2018 and 2017, respectively.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash - Continued

Non-cash investing and financing activities:

	2018	2017
Notes Receivable	\$ 186,980	\$ -
Property Held For Lease	\$ (186,980)	\$ -

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considered all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. Accounts receivable are charged to expense when they are determined to be uncollectible.

Notes Receivables

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.

Property Held for Lease

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. Buildings are depreciated over a useful life of thirty-nine years.

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.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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, 2018 per the banks were \$1,510,620. These deposits are categorized as follows:

(1)	(2)	(3)
\$ 362,391	\$ 1,148,229	\$ 0

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 4 – 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, 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.

On January 19, 2018, the Agency entered into an agreement to purchase an industrial building located in the Town of Lowville from Climax Packaging. Per the agreement, a \$155,000 deposit was required with an additional payment of \$645,000 due on or before the date of sale.

NOTE 5 – CONSTRUCTION IN PROGRESS

The Agency has identified a site for a future business park near the Village of Lowville and has also has invested in a former manufacturing site. The Agency has incurred preliminary site costs in the amounts of \$78,384 and \$45,427 for the years ended May 31, 2018 and 2017, respectively.

NOTE 6 – PROPERTY HELD FOR LEASE

Property held for lease at May 31 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land and Land Improvements	\$ 40,051	\$ -	\$ -	\$ 40,051
Depreciable Assets:				
Buildings and Improvements	260,847	-	-	260,847
Equipment	186,980	-	(186,980)	-
Total Property Held for Lease	487,878	-	(186,980)	300,898
Less - Accumulated Depreciation	20,264	5,906	-	26,170
Total Property Held for Lease - Net of Depreciation	<u>\$ 467,614</u>	<u>\$ 5,906</u>	<u>\$ (186,980)</u>	<u>\$ 274,728</u>

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 6 – PROPERTY HELD FOR LEASE- Continued

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 property is held for lease with a carrying value of \$174,627 and \$178,968 as of May 31, 2018 and 2017, respectively. The Agency has a current lease to collect \$10,200 per year in rental revenue through September 30, 2022.

The Agency also leases a building located at Trinity Avenue in Lowville, New York. The property is held for lease with a carrying value of \$100,101 and \$101,666 as of May 31, 2018 and 2017, respectively. The Agency collects monthly rent of \$486 through September 24, 2019. The monthly rent of \$972 is scheduled from September 25, 2019 through September 24, 2026 and \$1,458 per month from September 25, 2026 through September 24, 2027.

The future minimum rental revenues to be collected are as follows:

2019	\$	20,406
2020		21,864
2021		21,864
2022		21,864
2023		15,064
Thereafter		<u>51,030</u>
 Total	 \$	 <u>152,092</u>

NOTE 7 – NOTES 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, 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, 2018 and 2017 was \$100,000 for both years.

COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 7 – NOTES RECEIVABLE – Continued

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, 2018 and 2017 was \$11,487 and \$11,905, respectively.

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, 2018 and 2017 was \$35,364 and \$43,929, respectively.

On May 19, 2017, the Agency entered into an agreement with Arbor Care 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, 2018 and 2017 was \$21,953 and \$24,963 respectively.

On September 25, 2017, the Agency entered into an installment sale agreement with Skewed Brewing to purchase equipment for \$186,980 at an interest rate of 4.00% over ten years (120 payments). Monthly payments will begin on October 25, 2017, in the amount of \$946.54 until September 25, 2019. Monthly payments in the amount of \$1,893.08 will be due during the period beginning October 25, 2019 and ending September 25, 2025. Monthly payments of \$3,195.87 will be due for the period beginning October 25, 2025 and ending September 25, 2027. The outstanding receivable balance as of May 31, 2018 was \$184,694 and \$0, respectively.

On September 25, 2017, the Agency entered into an agreement with Skewed Brewing to provide them with a loan in the amount of \$29,500. The Lease agreement is for a period of 5 years (60 payments) and carries an interest rate of 4.00%. Monthly interest only payments of \$98.33 are due starting February 1, 2018 through July 1, 2018. Principle plus interest payments of \$597.84 are due beginning August 1, 2018 through January 1, 2023. The outstanding receivable balance as of May 31, 2018 and 2017 was \$29,500 and \$0, respectively.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 7 – NOTES RECEIVABLE - Continued

The aging of the notes receivable portfolio as of May 31, 2018 and 2017 are summarized as follows:

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Current</u>	<u>Total Notes Receivable</u>
May 31, 2018					
Notes Receivable	\$ -	\$ -	\$ 11,487	\$ 371,511	\$ 382,998
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
May 31, 2017					
Notes Receivable	\$ -	\$ -	\$ 11,905	\$ 168,892	\$ 180,797
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Total outstanding long term receivables as of May 31, 2018 and 2017 are as follows:

	2018	2017
Total Notes Receivable	\$ 382,998	\$ 180,797
Less: Current Portion	<u>(35,362)</u>	<u>(21,195)</u>
Net Long Term Notes Receivable	<u>\$ 347,636</u>	<u>\$ 159,602</u>

Annual principle future maturities of the note receivables as of May 31, 2018 are as follows:

2019	\$ 35,362
2020	33,774
2021	39,166
2022	44,780
2023	32,341
Thereafter	<u>197,575</u>
Total	<u>\$ 382,998</u>

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 8 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

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, 2018 and 2017 there were no outstanding industrial development revenue bonds.

NOTE 9 – RESTRICTED NET POSITION

	2018	2017
Economic Development Fund	\$ 750,290	\$ 537,871
Micro Enterprise Loan Fund	23,327	29,571
Rural Business Enterprise Fund	24,426	18,780
Total Restricted Net Position	<u>\$ 798,043</u>	<u>\$ 586,222</u>

NOTE 10 – REVOLVING LOAN FUNDS 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. 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 recognized was \$0 and \$25,000 as of May 31, 2018 and 2017, respectively.

The Agency is also a subrecipient of a HUD micro enterprise loan program grant from the County of Lewis. The grant is disbursed as a loan to eligible businesses. For the years ended May 31, 2018 and 2017, grant revenue was recognized in the amount of \$14,000 and \$76,193, respectively.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

May 31, 2018 and 2017

NOTE 11 – CONTRACT REVENUE

During the current and prior years, the Agency has received a total of \$1,100,000 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, 2018 and 2017, contract revenue was recognized in the amount of \$400,000 and \$0, respectively.

NOTE 12 – OPERATING LEASE

The Agency pays monthly rent for occupied office space. The monthly rent is \$900 per the terms of an agreement between the Agency and the lessor. Either party shall give 60 days written notice to terminate the agreement. Rent expense was \$9,900 and \$7,875 for the years ended May 31, 2018 and 2017, respectively.

NOTE 13 – WOOD PRODUCTS 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 Wood Products 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 had been filed. The mortgage shall terminate on August 18, 2022.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

As of June 1, 2016, a prior period adjustment was made to decrease unearned revenue and increase restricted net position in the amount of \$691,170 to correct the recording of contract revenue. Furthermore, the financial statements for the year ended May 31, 2017 were restated to decrease contract revenue by \$156,977, increase grant revenue by \$76,193 and decrease restricted net position by \$80,784. The overall prior year effect was a net increase in restricted net position of \$610,386.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events were evaluated through July 31, 2018 which is the date that the financial statements were available to be issued.



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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
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, 2018, 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, 2018.

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 2018-001 is considered a significant deficiency.

Compliance and Other Matters

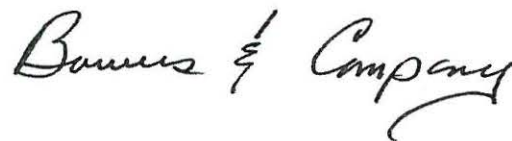
As part of obtaining reasonable assurance about whether County of Lewis Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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, 2018

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF THE COUNTY OF LEWIS, NEW YORK**

SCHEDULE OF FINDINGS AND RESPONSES

May 31, 2018

**FINDING 2018-001 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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2018 INVESTMENT REPORT

BOARD OF DIRECTORS
COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY

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

Eric Virkler, Executive Director
July 31, 2018