

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

FINANCIAL STATEMENTS

May 31, 2019 and 2018

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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 New York Public Benefit Corporation and a component unit of the County of Lewis, New York, as of and for the years ended May 31, 2019 and 2018, 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, 2019 and 2018, 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.

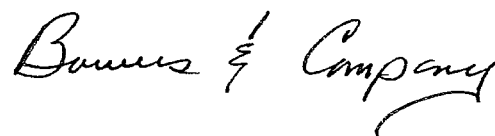
Other Matters

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 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 August 12, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Lewis Industrial Development Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Lewis Industrial Development Agency's internal control over financial reporting and compliance.



Watertown, New York
August 12, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2019 and 2018

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, 2019. Information contained in the MD&A has been prepared by the Agency management and should be considered in conjunction with the financial statements 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, and Arborcare, Inc. 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 2019 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, 2019 and 2018

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.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The statements of net position present information on all the Agency's assets, deferred outflows of resources, deferred inflows of resources and liabilities. Net position, the difference between the Agency's assets, deferred outflows of resources, deferred inflows of resources and liabilities, is one way to measure the Agency's health or *position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without corresponding increases to liabilities will also result in increased net position, which indicates an improved financial position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2019 and 2018

BASIC FINANCIAL STATEMENTS - Continued

The statements of revenues, expenses, and changes in net position presents information showing how the Agency's net position changed during the fiscal years. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statements of cash flows provide information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital, and non-capital financing activities.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at the most recent fiscal year by \$2,316,680 (net position). Net Position increased from the prior year by \$4,874 or 0.21%. 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 \$4,874. Last year revenues exceeded expenses by \$465,315.
- Interest Revenue for 2019 was \$17,423 compared to \$10,482 in 2018.
- Expenses of the Agency increased by \$301,269 or 127.9%.

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

May 31, 2019 and 2018

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 2019, 2018, and 2017.

Condensed Statements of Net Position

	2019	2018	2017
ASSETS			
Current and Other Assets	\$ 826,172	\$ 1,451,817	\$ 1,349,792
Capital Assets	1,032,820	523,112	528,041
Long - Term Loans Receivables	519,316	347,636	159,602
Total Assets	<u>\$ 2,378,308</u>	<u>\$ 2,322,565</u>	<u>\$ 2,037,435</u>
LIABILITIES			
Current/Total Liabilities	<u>\$ 61,628</u>	<u>\$ 10,759</u>	<u>\$ 190,944</u>
NET POSITION			
Net Investment in Capital Assets	\$ 1,032,820	\$ 523,112	\$ 528,041
Restricted	192,167	798,043	586,222
Unrestricted	1,091,693	990,651	732,228
Total Net Position	<u>\$ 2,316,680</u>	<u>\$ 2,311,806</u>	<u>\$ 1,846,491</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2019 and 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Analysis of Net 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 \$4,874 for the year ended May 31, 2019.

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

	2019	2018	2017
OPERATING REVENUES			
Agency Fees	\$ 229,077	\$ 235,799	\$ 192,562
Rental Income	132,146	14,452	9,350
Contract Revenue	-	400,000	-
Miscellaneous	500	26,130	9,246
Total Operating Revenues	<u>361,723</u>	<u>676,381</u>	<u>211,158</u>
OPERATING EXPENSES			
General Operations	448,205	200,889	158,089
Professional Fees	32,080	20,650	18,047
Depreciation	15,585	5,906	4,342
Other	40,947	8,103	112,033
Total Operating Expenses	<u>536,817</u>	<u>235,548</u>	<u>292,511</u>
Operating Income (Loss)	(175,094)	440,833	(81,353)
NON-OPERATING REVENUES			
Gain on Sale of Building	27,545	-	-
Grant Revenue	135,000	14,000	101,193
Interest Revenue	17,423	10,482	9,518
Total Non-Operating Revenues	<u>179,968</u>	<u>24,482</u>	<u>110,711</u>
Change in Net Position	4,874	465,315	29,358
Net Position, Beginning of Year	<u>2,311,806</u>	<u>1,846,491</u>	<u>1,817,133</u>
Net Position, End of Year	<u>\$ 2,316,680</u>	<u>\$ 2,311,806</u>	<u>\$ 1,846,491</u>

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

May 31, 2019 and 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Analysis of Transaction of Individual Funds

Operating expenses increased by \$301,269 or 127.9%. This change was largely due to increases in building occupancy and economic development expenses. The Agency does not depend on any taxpayer's dollars to fund operations of the Agency.

CAPITAL ASSETS

The Agency's net investment in capital assets as of May 31, 2019 amounted to \$1,032,820 (net of depreciation) and includes Purchase Options on Real Estate, and Property Held for Lease.

A summary of Capital Assets:

	2019	2018	2017
Capital Assets	\$ 954,720	\$ 300,898	\$ 487,878
Construction in Progress	74,314	78,384	45,427
Purchase Option on Real Estate	20,000	170,000	15,000
	<hr/>	<hr/>	<hr/>
	1,049,034	549,282	548,305
Accumulated Depreciation	(16,214)	(26,170)	(20,264)
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Capital Assets, Net	\$ 1,032,820	\$ 523,112	\$ 528,041
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**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2019 and 2018

ECONOMIC FACTORS AND FUTURE OUTLOOK

During the 2018-2019 year, several projects were started which will enhance the economy for 2019-2020. They are:

- Wind and Solar Projects –The Agency continues to be involved in negotiations for wind and solar projects as developers begin to seek property tax benefits. As the fiscal year closed there were three large wind projects in various stages of development. There are two different companies moving forward with solar projects. The Agency board is also considering a funding mechanism based on these energy projects to provide financial support for an economic and community development fund.
- Denmark Wind Farm - This project reached commercial operation during the fiscal year. The company has completed payment of its project fee to the Agency. The first year of PILOT payments will occur at the end of 2019.
- Lyons Falls Mill – Redevelopment at the mill property has continued to progress in the last twelve months with approximately 90% of the structures demolished. The final phase of demolition and cleanup is expected to be completed in late 2019. The Agency is partnering with the LCDC on this redevelopment and utilization of the existing High Falls Building. A tenant occupied that building in early 2019 and began production of value-added dairy projects. The Agency facilitated part of this operation with a small sale lease back agreement for production equipment.
- Climax Manufacturing Building – A significant activity in this fiscal year was the acquisition of the Climax building in Lowville. This purchase process began in 2017 and the final sale occurred in October 2018. The building is intended to be used as multipurpose space for new business growth and development. There is operational space for manufacturing and warehousing businesses as well as office space for small to medium size businesses. One goal of the Agency is to create a co-working space for short term office rental and a cooperative environment for office, meeting and training activities. As of the end of the fiscal year, four tenants occupy the office space and two tenants are operating in the manufacturing area. The Building has been renamed the Lewis County Center for Business and significant improvements are in process to make the building an active part of commercial development.
- LCIDA Office – In conjunction with the new building acquisition noted above, the LCIDA moved its office location into the Center for Business. This location allows the Agency to manage the building in an effective manner as well as network and partner with the Lewis County Chamber of Commerce, another tenant in the Center.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2019 and 2018

ECONOMIC FACTORS AND FUTURE OUTLOOK - 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 2019, 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.

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 BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

May 31, 2019 and 2018

ASSETS		
	2019	2018
CURRENT ASSETS		
Unrestricted Cash	\$ 481,055	\$ 601,657
Restricted Cash	142,311	798,043
Total Cash	623,366	1,399,700
Accounts Receivable	34,954	12,507
Grant Receivable	135,000	-
Interest Receivable	3,433	3,000
Prepaid Expenses	-	1,248
Current Portion of Loans Receivable, Net	29,419	35,362
Total Current Assets	826,172	1,451,817
NON CURRENT ASSETS		
Long-Term Loans Receivable, Net	519,316	347,636
Capital Assets, Net	1,012,820	353,112
Purchase Option on Real Estate	20,000	170,000
Total Other Assets	1,552,136	870,748
TOTAL ASSETS	\$ 2,378,308	\$ 2,322,565
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts Payable	\$ 24,025	\$ 8,789
Accrued Expenses	3,983	1,970
Tenant Security Deposits	18,620	-
Unearned Rent Revenue	15,000	-
TOTAL LIABILITIES	\$ 61,628	\$ 10,759
NET POSITION		
Net Investment in Capital Assets	\$ 1,032,820	\$ 523,112
Restricted	192,167	798,043
Unrestricted	1,091,693	990,651
TOTAL NET POSITION	\$ 2,316,680	\$ 2,311,806

See notes to audited basic financial statements.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended May 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Rental Revenue	\$ 132,146	\$ 14,452
Agency Fees	229,077	235,799
Application Fee Revenue	500	1,000
Contract Revenue	-	400,000
Other Revenue	-	25,130
Total Operating Revenues	<u>361,723</u>	<u>676,381</u>
OPERATING EXPENSES		
Salaries and Wages	139,087	145,046
Payroll Taxes and Employee Benefits	14,504	15,479
Bad Debt Expense	39,904	-
Bank Service Charges	-	15
Building Occupancy Expenses	213,515	4,516
Depreciation	15,585	5,906
Dues and Subscriptions	1,506	157
Economic Development Expenses	40,947	8,103
Insurance	3,978	5,676
Marketing	13,962	9,741
Office Supplies and Expenses	1,847	4,058
Printing	1,107	1,626
Professional Fees	32,080	20,650
Rent	11,125	9,900
Travel and Conferences	5,295	2,129
Utilities	2,375	2,546
Total Operating Expenses	<u>536,817</u>	<u>235,548</u>
OPERATING INCOME (LOSS)	<u>(175,094)</u>	<u>440,833</u>
NON-OPERATING REVENUES		
Gain on Sale of Building	27,545	-
Grant Revenue	135,000	14,000
Interest Revenue	17,423	10,482
Total Non-Operating Revenues	<u>179,968</u>	<u>24,482</u>
Change in Net Position	4,874	465,315
Net Position, Beginning of Year	<u>2,311,806</u>	<u>1,846,491</u>
Net Position, End of Year	<u>\$ 2,316,680</u>	<u>\$ 2,311,806</u>

See notes to audited basic financial statements.

**COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
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STATEMENTS OF CASH FLOWS

Years Ended May 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 353,843	\$ 852,902
Payments to Suppliers	(290,620)	(250,550)
Payments to Employees	(153,591)	(160,525)
Net Cash Provided By (Used In) Operating Activities	<u>(90,368)</u>	<u>441,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Grant Revenue	-	14,000
Issuance of Loans Receivable	(21,160)	(29,500)
Repayment of Loan Receivable	15,519	14,279
Net Cash Used In Noncapital Financing Activities	<u>(5,641)</u>	<u>(1,221)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Purchase Option on Real Estate	(5,000)	(155,000)
Purchase of Capital Assets	(692,748)	(32,957)
Net Cash Used In Capital and Financing Activities	<u>(697,748)</u>	<u>(187,957)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	17,423	10,482
Net Cash Provided By Investing Activities	<u>17,423</u>	<u>10,482</u>
Net Increase (Decrease) in Cash	(776,334)	263,131
Cash, Beginning of Year	1,399,700	1,136,569
Cash, End of Year	<u>\$ 623,366</u>	<u>\$ 1,399,700</u>
Reconciliation of Operating Income (Loss) to Net Cash (Used In)		
Operating Activities:		
Operating Income (Loss)	\$ (175,094)	\$ 440,833
Depreciation	15,585	5,906
Bad Debt Expense	39,904	-
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	1,248	(1,248)
Accounts Receivable	(22,447)	176,521
Interest Receivable	(433)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	15,236	(180,185)
Accrued Expenses	2,013	-
Tenant Security Deposits	18,620	-
Unearned Rent Revenue	15,000	-
Net Cash Provided By (Used In) Operating Activities	<u>\$ (90,368)</u>	<u>\$ 441,827</u>

See notes to audited basic financial statements.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

NOTE 1 – NATURE OF OPERATIONS

Financial Reporting Entity

The County of Lewis Industrial Development Agency (the “Agency”) is a public benefit corporation, which 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 financial statements are reported using the economic resources measurement’s focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

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, loans, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

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 does 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, 2019 and 2018, respectively.

There was no cash paid for interest or income taxes for the years ended May 31, 2019 and 2018, respectively.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash - Continued

Non-cash investing and financing activities:

	2019	2018
Loans Receivable	\$ 200,000	\$ 186,980
Capital Assets, Net	\$ (200,000)	\$ (186,980)

Accounts and Grants Receivable

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

Loans Receivables

Loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to an allowance for loan losses based on its assessment of the current status of individual accounts. It is the Agency's policy to charge off uncollectible loans receivable when management determines the receivable will not be collected.

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. 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 AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

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.

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, 2019 per the banks were \$677,226. These deposits are categorized as follows:

(1)	(2)	(3)
\$ 295,626	\$ 381,600	\$ -

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

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 August 23, 2018 and March 2, 2017, payments of \$5,000 each were issued to renew the property option for the Business Park with a private property owner. The total purchase option is \$10,000 as of May 31, 2019.

NOTE 5 – CAPITAL ASSETS, NET

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	\$ 80,000	\$ (29,885)	\$ 90,166
Construction in Progress	78,384	3,210	(7,280)	74,314
Depreciable Assets:				
Buildings and Improvements	<u>260,847</u>	<u>771,818</u>	<u>(168,111)</u>	<u>864,554</u>
Total	379,282	855,028	(205,276)	1,029,034
Less - Accumulated Depreciation	<u>26,170</u>	<u>15,585</u>	<u>(25,541)</u>	<u>16,214</u>
Capital Assets, Net	<u>\$ 353,112</u>	<u>\$ 839,443</u>	<u>\$ (179,735)</u>	<u>\$ 1,012,820</u>

The Agency has identified a site for a future business park near the Village of Lowville and has also invested in a former manufacturing site. The Agency has incurred preliminary site costs in the amounts of \$74,314 and \$78,384 for the years ended May 31, 2019 and 2018, respectively.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

NOTE 5 – CAPITAL ASSETS, NET- Continued

The Agency owns a building located at Trinity Avenue in Lowville, New York. The carrying value of the property is \$97,756 and \$101,666 as of May 31, 2019 and 2018, respectively. The Agency leases the building and 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 Agency also leases a portion of their Center for Business to Ox Specialty Paper, LLC in the amount of \$15,000 per month. The lease agreement is for 2 years with the first payment being due on December 31, 2018 and the last payment due on September 30, 2020.

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

2020	\$ 189,720
2021	86,664
2022	11,664
2023	11,664
2024	11,664
Thereafter	<u>52,488</u>
Total	<u>\$ 363,864</u>

NOTE 6 – LOANS RECEIVABLE, NET

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 loan receivable balance as of May 31, 2019 and 2018 was \$100,000 for both years.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

NOTE 6 – LOANS RECEIVABLE, NET – Continued

The Agency entered into a loan 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. An allowance for doubtful accounts was provided for the full amount of the outstanding loan receivable balance of \$9,233 at May 31, 2019. The net outstanding loan receivable balance as of May 31, 2019 and 2018 was \$0 and \$11,487, 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 will be due each month. This loan consists of two separate promissory notes at \$25,000 each. An allowance for doubtful accounts was provided for seventy-five percent of the outstanding loan balance at May 31, 2019 or \$25,924. The net outstanding loan receivable balance at May 31, 2019 and 2018 was \$8,640 and \$35,364, 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, 2019 and 2018 was \$16,929 and \$21,953, 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. 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 will be due during the period beginning October 25, 2019 and ending September 25, 2025. Monthly payments of \$3,195 will be due for the period beginning October 25, 2025 and ending September 25, 2027. The outstanding receivable balance as of May 31, 2019 and 2018 was \$180,306 and \$184,694, respectively.

On September 25, 2017, the Agency entered into an agreement with Skewed Brewing to provide a loan in the amount of \$29,500 for a period of 5 years with an interest rate of 4.00%. Principle and interest payments of \$598 are due beginning August 1, 2018 through January 1, 2023. An allowance for doubtful accounts was provided for ten percent of the outstanding loan balance at May 31, 2019 or \$2,699. The net outstanding receivable balance as of May 31, 2019 and 2018 was \$24,288 and \$29,500, respectively.

On November 20, 2018, the Agency entered into a mortgage agreement with Hand in Hand Early Childhood Center, Inc. in the amount of \$200,000. The mortgage is for a period of 25 years (300 payments) and carries an interest rate of 5.25%. Principal and interest payments in the amount of \$1,199 are due each month beginning January 1, 2019 and ending December 1, 2043. The balance of the mortgage receivable at May 31, 2019 and 2018 was \$198,038 and \$0, respectively.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

NOTE 6 – LOANS RECEIVABLE, NET - Continued

On December 27, 2018, the Agency entered in an installment sale agreement with Black River Valley Natural, LLC to purchase equipment for \$22,000 at an interest rate of 5% over 10 years (120 payments). Monthly principal and interest payments in the amount of \$233 are due at the beginning of each month beginning February 1, 2019 and ending January 1, 2029. The balance of the receivable at May 31, 2019 and 2018 was \$20,534 and \$0, respectively.

The aging of the Loans Receivable portfolio as of May 31, 2019 and 2018 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 Loans Receivable, Net</u>
May 31, 2019					
Loans Receivable, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,928</u>	<u>\$ 515,807</u>	<u>\$ 548,735</u>
May 31, 2018					
Loans Receivable, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,487</u>	<u>\$ 371,511</u>	<u>\$ 382,998</u>

Total outstanding long-term receivables as of May 31, 2019 and 2018 are as follows:

	2019	2018
Total Loans Receivable, Net	\$ 548,735	\$ 382,998
Less: Current Portion	<u>(29,419)</u>	<u>(35,362)</u>
Long - Term Loans Receivable, Net	<u>\$ 519,316</u>	<u>\$ 347,636</u>

Annual principle future maturities of the loan receivables as of May 31, 2019 are as follows:

2020	\$ 29,419
2021	39,667
2022	51,001
2023	39,361
2024	35,738
Thereafter	<u>353,549</u>
Total	<u>\$ 548,735</u>

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

NOTE 7 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property, which is leased to companies and is retired with lease payments. 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, 2019 and 2018 there were no outstanding industrial development revenue bonds.

NOTE 8 – RESTRICTED NET POSITION

	2019	2018
Economic Development Fund	\$ 80,065	\$ 750,290
Micro Enterprise Loan Fund	58,723	23,327
Rural Business Enterprise Fund	<u>53,379</u>	<u>24,426</u>
Total Restricted Net Position	<u>\$ 192,167</u>	<u>\$ 798,043</u>

NOTE 9 – 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 \$0 as of May 31, 2019 and 2018, respectively.

The Agency is 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, 2019 and 2018, grant revenue was recognized in the amount of \$0 and \$14,000, respectively.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

May 31, 2019 and 2018

NOTE 10 – 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, 2019 and 2018, contract revenue was recognized in the amount of \$0 and \$400,000, respectively.

NOTE 11 – 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 a 60-day written notice to terminate the agreement. The lease was terminated as of May 31, 2019. Rent expense was \$11,125 and \$9,900 for the years ended May 31, 2019 and 2018, respectively.

NOTE 12 – 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 was released on June 18, 2019.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through August 12, 2019 which is the date that the financial statements were available to be issued.

On June 18, 2019, the Agency purchased the Wood Products Industrial Park. The property has been idle. The Agency is currently in the process of selling the property to create an opportunity to actively use the property again.



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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, 2019, 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 August 12, 2019.

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 accompanying schedule of findings and responses that we consider to be a significant deficiency. Finding 2019-001 is considered a significant deficiency.

Compliance and Other Matters

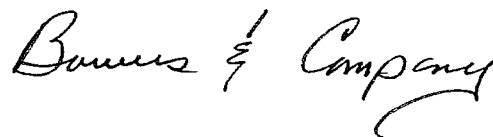
As part of obtaining reasonable assurance about whether County of Lewis Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

County of Lewis Industrial Development Agency's response to the finding identified in our audit is listed in the schedule of finding and response. 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
August 12, 2019

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

SCHEDULE OF FINDING AND RESPONSE

May 31, 2019

**FINDING 2019-001 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 statements for the Agency 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 the Agency, the expense of another accounting firm is cost prohibitive.



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2019 INVESTMENT REPORT

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

The County of Lewis Industrial Development Agency had no investments to report in 2019.

Eric Virkler, Executive Director
August 12, 2019



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Management and Board of Directors
County of Lewis Industrial Development Agency

In planning and performing our audit of the financial statements of the County of Lewis Industrial Development Agency for the year ended May 31, 2019, we considered the Organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. We previously reported on the Organization's internal control structure in our report dated August 12, 2019. This letter does not affect our report dated August 12, 2019 on the financial statements of the County of Lewis Industrial Development Agency.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and recommendations are summarized as follows:

Establish Policies and Procedures for Loan Receivables

We noted that there is not a written policy or procedure for establishing loan allowances for doubtful accounts. We recommend the Agency develop a written policy and review the loan receivables on a regular basis to determine the amount and adequacy of an allowance for doubtful accounts.

Quick Books Accounts Receivable and Loans Receivable Accounts

We noted during the audit that invoices for June and July were dated prior to May 31, 2019. The revenue for June and July should not be recognized in May and we made the applicable adjustments to restate the revenue to the proper periods. We recommend those invoices be dated June 1 to reflect the revenue in the proper year.

Furthermore, since the loan receivable balances were reported in two separate accounts (e.g. loans and accounts receivable), the accounts were not easily reconciled, and additional time was necessary to determine the proper balance at May 31, 2019. We recommend that an amortization schedule be maintained and updated to reflect all the activity in the loan receivable accounts.

This report is intended solely for the information of the Board of Members, management and others within the Organization and is not intended to be used by anyone other than these specified parties.

Bowers & Company

Watertown, New York
August 12, 2019



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

August 12, 2019

To the Board of Directors of
County of Lewis Industrial Development Agency

We have audited the financial statements of the business-type activities of the County of Lewis Industrial Development Agency for the year ended May 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We communicated such information in our letter to you dated May 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by County of Lewis Industrial Development Agency are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by the County of Lewis Industrial Development Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of capital assets is based on generally accepted guidelines. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Board of Directors of
County of Lewis Industrial Development Agency
August 12, 2019
Page 2

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes corrected material misstatements detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 2019.

Management Consultations with Other Independent Accountants

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

To the Board of Directors of
County of Lewis Industrial Development Agency
August 12, 2019
Page 3

Other Audit Findings or Issues

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

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

Very truly yours,

Bauer & Company

Client: **County of Lewis Industrial Development Agency**
 Engagement:
 Period Ending:
 Trial Balance:
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2		I-1.02		
To separate Land value from Center for Business building				
1916	Land - Center for Business		80,000.00	
1915	Building - Center for Business			80,000.00
Total			<u><u>80,000.00</u></u>	<u><u>80,000.00</u></u>
Adjusting Journal Entries JE # 5		01-I.05		
To move Accumulated depreciation to correct account				
1920	Accumulated Depreciation		24,606.00	
1300	Accumulated Depreciation			24,606.00
Total			<u><u>24,606.00</u></u>	<u><u>24,606.00</u></u>
Adjusting Journal Entries JE # 9		01-Y.04		
to move Building Improvements to Fixed asset from Expense account				
1917	Building Improvements		44,538.00	
7200	CB CAM expenses: IDA expense			44,538.00
Total			<u><u>44,538.00</u></u>	<u><u>44,538.00</u></u>
Adjusting Journal Entries JE # 20		01-H.00		
to record allowance for loan loss				
8000	Bad Debt/Loan Forgiveness		37,855.00	
1175	Allowance for Loan Loss			37,855.00
Total			<u><u>37,855.00</u></u>	<u><u>37,855.00</u></u>