

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

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*FINANCIAL STATEMENTS*  
May 31, 2020 and 2019

# Table of Contents

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

INDEPENDENT AUDITOR’S REPORT _____	1
MANAGEMENT'S DISCUSSION AND ANALYSIS _____	3
AUDITED BASIC FINANCIAL STATEMENTS _____	11
STATEMENTS OF NET POSITION _____	11
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION _____	12
STATEMENTS OF CASH FLOWS _____	13
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS _____	15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	30
SCHEDULE OF FINDINGS AND RESPONSES _____	32
2020 INVESTMENT REPORT _____	33



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

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**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, 2020 and 2019, 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, 2020 and 2019, 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.

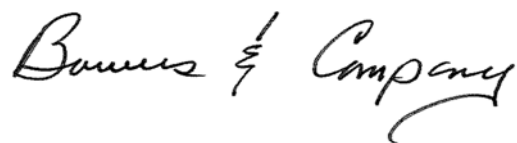
## **Other Matters**

### *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 31, 2020 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 31, 2020

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**INTRODUCTION**

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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 years ended May 31, 2020 and 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.

**OPERATION HIGHLIGHTS**

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The Agency is a self-funded, public benefit corporation, which was created by Article 18A of the General Municipal Law, to help attract and enhance industrial development, create jobs and maintain economic stability within Lewis County. Our secondary function is to strengthen partnerships, collaborate and assist other agencies and county departments with tourism, natural resources, retail, wholesale, professional and community enhancements, making Lewis County a great place to live, work, build business and play.

The Agency has ongoing projects in which a payment in lieu of taxes, sales tax or mortgage tax exemption took place. These projects include Johnson Lumber, Lowville Producers Dairy Cooperative, Solitude Solar, Denmark Wind, Flat Rock Wind, Roaring Brook Wind, Brandt's Butcher Block, Lakeside Generation, MA&N Rail, MDBB Enterprises, Otis Technology, and Victorian Lake. Additionally, the Agency administers revolving loan funds and CDBG Grant funds for several local businesses. 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. The Agency also supported businesses through the COVID-19 pandemic that put burden and stress on our local employers. In cooperation with our partners, Lewis County, Lewis County Chamber of Commerce, Cornell Cooperative Extension, and the Watertown Small Business Development Center, we provided consulting and business training services to local citizens and business owners. Multiple training opportunities were provided in 2019-2020 along with direct one on one consultations. We continue to work cooperatively with local partners and municipalities to build opportunity for new business growth.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**OPERATION HIGHLIGHTS - Continued**

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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 manufacturers, educational organizations and workforce development organizations to understand workforce and skilled training needs
- Assisting Lewis County businesses with information and guidance for grant applications
- Strengthening Partnerships – 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:
  - North Country Regional Economic Development Council
  - Lewis County Development Corporation (LCDC)
  - Drum Country NY
  - Lewis County Leadership Academy
  - North Country Alliance (NCA)
  - Jefferson Lewis Workforce Development Board
  - New York State Economic Development Council

The Agency is a small agency focused on promoting *Naturally Lewis*; our strengths in agriculture, natural resources, small businesses and recreation. We work to promote Lewis County as a great place to live, work, build business and play, as well as work to grow the number of people that live and work here, build business here, and participate in outdoor recreation here.

**BASIC FINANCIAL STATEMENTS**

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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.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**BASIC FINANCIAL STATEMENTS - Continued**

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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.

**NOTES TO THE FINANCIAL STATEMENTS**

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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.

**FINANCIAL HIGHLIGHTS**

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- Total assets at May 31, 2020 were \$3,030,994. This was an increase of \$652,686 over total assets of \$2,378,308 at May 31, 2019. The increase was attributed to the proceeds from the sale of the Center for Business property (former Climax building) of \$900,000.
- Total assets at May 31, 2019 were \$2,378,308 compared to total assets of \$2,322,565 at May 31, 2018 or an increase of \$55,743. In October 2018 the Agency paid \$800,000 in cash for the purchase of the former Climax building. Therefore, the change in cash and capital assets offset each other on the statement of net position.
- Total liabilities at May 31, 2020 were \$258,621 as compared to total liabilities of \$61,628 at May 31, 2019. The Agency took drawdowns of \$246,337 on their line of credit for the Lyons Falls Mills demolition project.
- Total liabilities at May 31, 2019 were \$61,628 or an increase of \$50, 869 over the total liabilities of \$10,759 at May 31, 2018. The increase was attributed to tenant security deposits and prepaid rent revenue from tenants in the Center for Progress building.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**OVERVIEW OF FINANCIAL STATEMENTS**

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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 May 31, 2020, 2019, and 2018.

**Condensed Statements of Net Position**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>			
Current and Other Assets	\$ 2,056,479	\$ 683,861	\$ 653,774
Restricted Assets	228,934	192,167	798,043
Capital Assets	318,698	1,012,820	353,112
Purchase Options on Real Estate	20,000	20,000	170,000
Loans Receivables, Net	406,883	469,460	347,636
Total Assets	<u>\$ 3,030,994</u>	<u>\$ 2,378,308</u>	<u>\$ 2,322,565</u>
<b>LIABILITIES</b>			
Current/Total Liabilities	<u>\$ 258,621</u>	<u>\$ 61,628</u>	<u>\$ 10,759</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 318,698	\$ 1,012,820	\$ 523,112
Restricted	228,934	192,167	798,043
Unrestricted	2,224,741	1,111,693	990,651
Total Net Position	<u>\$ 2,772,373</u>	<u>\$ 2,316,680</u>	<u>\$ 2,311,806</u>

Refer to the Statements of Net Position in the financial statements for more detail.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

**Analysis of Change in Net Position and Results of Operations**

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>			
Agency Fees	\$ 230,557	\$ 229,577	\$ 261,929
Rental Income	96,307	132,146	14,452
Contract Revenue	180,558	-	400,000
Operating Grant Revenue	252,252	-	-
Interest from Loans Receivables	16,730	17,339	10,400
Total Operating Revenues	<u>776,404</u>	<u>379,062</u>	<u>686,781</u>
<b>OPERATING EXPENSES</b>			
General Operations	267,449	448,205	200,889
Professional Fees	29,976	32,080	20,650
Depreciation	9,969	15,585	5,906
Other	269,477	40,947	8,103
Total Operating Expenses	<u>576,871</u>	<u>536,817</u>	<u>235,548</u>
Operating Income (Loss)	199,533	(157,755)	451,233
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain on Sale of Building	65,847	27,545	-
Grant Revenue	26,000	135,000	14,000
Interest Revenue/(Expense)	(5,687)	84	82
Total Non-Operating Revenues	<u>86,160</u>	<u>162,629</u>	<u>14,082</u>
Capital Contributions	170,000	-	-
Change in Net Position	455,693	4,874	465,315
Net Position, Beginning of Year	<u>2,316,680</u>	<u>2,311,806</u>	<u>1,846,491</u>
Net Position, End of Year	<u>\$ 2,772,373</u>	<u>\$ 2,316,680</u>	<u>\$ 2,311,806</u>

Refer to the Statements of Revenues, Expenses, and Changes in Net Position in the financial statements for more detail.

The Condensed Statements 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.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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The change in net position was \$455,693 for the year ended May 31, 2020. This was an increase of \$450,819 over the year ended May 31, 2019. The increase was attributed to capital contributions of \$170,000 for the Lyonsdale property, \$180,558 of contract revenue from Lewis County and a \$252,252 operating grant recognized from NYS Empire State Development Corporation.

The change in net position of \$4,874 for the year ended May 31, 2019 decreased by \$460,441 from the year ended 2018 due to increase of building occupancy expenses of \$209,000 for the Center for Business property purchased by the Agency, decrease of contract revenue of 400,000, and an increase of rental revenue of \$118,000 for the Center for Business property.

**CAPITAL ASSETS, NET**

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The Agency's capital assets as of May 31, 2020, 2019 and 2018 are summarized as follows.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Capital Assets	\$ 252,902	\$ 954,720	\$ 300,898
Construction in Progress	74,314	74,314	78,384
	<u>327,216</u>	<u>1,029,034</u>	<u>379,282</u>
Accumulated Depreciation	(8,518)	(16,214)	(26,170)
Capital Assets, Net	<u>\$ 318,698</u>	<u>\$ 1,012,820</u>	<u>\$ 353,112</u>

During the fiscal year ended May 31, 2020, the Agency purchased and sold the Wood Products Industrial Park for \$350,000. The Agency also sold the former Climax property for \$ 900,000. This property was purchased by the Agency for \$800,000 during the fiscal year ended May31, 2019.

**DEBT**

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	<b>2020</b>	<b>2019</b>	<b>2018</b>
Line of Credit - Community Bank	<u>\$ 246,337</u>	<u>\$ -</u>	<u>\$ -</u>

During the fiscal year ended May 31, 2020, the Agency received two drawdowns totaling \$246,337 on the line of credit with Community Bank. The drawdowns were used to pay project expenses for the Lyons Falls demolition project in anticipation of receiving a grant from NYS Empire Development Corporation.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**ECONOMIC FACTORS AND FUTURE OUTLOOK**

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During the 2019-2020 year, several projects were started which will enhance the economy for 2020-2021. 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 four different companies moving forward with solar projects. The Agency board, in partnership with Lewis County, is working on a two pronged approach to preserve prime and actively farmed agricultural land in an extensive planning process for renewable energy projects, part of which involves revising our Universal Tax Exemption Policy to incorporate solar language.
- Denmark Solar / U.S. Light Energy - 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 occurred at the end of 2019.
- U.S. Light Turin Project – This 8MW solar project in Turin, NY has begun construction and the company has completed payment of its project fee to the Agency. The project should be complete and operational in 2021.
- Roaring Brook Wind – This 80MW wind energy project in Martinsburg, NY begun construction in 2020 and will become operational in 2021. The company has completed the first payment of six installments to the Agency in 2019.
- Lyons Falls Mill –The Agency is partnering with the LCDC on the redevelopment of the mill site as the four-phase demolition project has come to completion. Two companies are located on or adjacent to the mill site, including a hydropower company and a dairy processing facility. The Agency continues to work with the LCDC on future development of the site.
- Climax Manufacturing Building – In 2018, the Agency purchased the Climax Manufacturing Building with the intent to create a multi-tenant space. In 2019, Ox Industries, a tenant of the building, approached the Agency to purchase the building and put it back on the tax rolls. The sale of the building occurred October 2019, and Ox has increased warehousing capacity since.
- Lyonsdale Biomass Property – The Agency acquired the former Lyonsdale / ReEnergy Biomass property in 2020. Plans include developing a Request for Proposals for future reuse and redevelopment of the site.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2020 and 2019

**ECONOMIC FACTORS AND FUTURE OUTLOOK - Continued**

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- 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 - 2020, the Agency has continued its partnership with Lewis County Development Corporation. The coordination of these entities will benefit overall program efforts.

**CONTACT MANAGEMENT**

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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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County of Lewis Industrial Development Agency  
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**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, 2020 and 2019

	<b>ASSETS</b>	
	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,585,701	\$ 481,055
Accounts Receivable	21,121	34,954
Grants Receivable	387,252	135,000
Interest Receivable	3,000	3,433
Current Portion of Loans Receivable, Net	59,405	29,419
Total Current Assets	2,056,479	683,861
<b>RESTRICTED ASSETS</b>		
Restricted Cash	146,830	142,311
Loans Receivable, Net	82,104	49,856
Total Restricted Assets	228,934	192,167
<b>NON CURRENT ASSETS</b>		
Loans Receivable, Net	406,883	469,460
Capital Assets, Net	318,698	1,012,820
Purchase Options on Real Estate	20,000	20,000
Total Other Assets	745,581	1,502,280
<b>TOTAL ASSETS</b>	\$ 3,030,994	\$ 2,378,308
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 5,498	\$ 24,025
Accrued Expenses	3,986	3,983
Line of Credit	246,337	-
Tenant Security Deposits	2,800	18,620
Unearned Rent Revenue	-	15,000
<b>TOTAL LIABILITIES</b>	\$ 258,621	\$ 61,628
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 318,698	\$ 1,012,820
Restricted	228,934	192,167
Unrestricted	2,224,741	1,111,693
<b>TOTAL NET POSITION</b>	\$ 2,772,373	\$ 2,316,680

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, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Rental Revenue	\$ 96,307	\$ 132,146
Agency Fees	230,557	229,577
Contract Revenue	180,558	-
Operating Grant Revenue	252,252	-
Interest From Loans Receivable	16,730	17,339
Total Operating Revenues	<u>776,404</u>	<u>379,062</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	144,362	139,087
Payroll Taxes and Employee Benefits	17,378	14,504
Bad Debt Expense	1,954	39,904
Building Occupancy Expenses	46,246	213,515
Depreciation	9,969	15,585
Dues and Subscriptions	1,455	1,506
Economic Development Expenses	269,477	40,947
Insurance	4,160	3,978
Marketing	35,857	13,962
Office Supplies and Expenses	4,022	1,847
Printing	1,130	1,107
Professional Fees	29,976	32,080
Rent	3,125	11,125
Travel and Conferences	6,389	5,295
Utilities	1,371	2,375
Total Operating Expenses	<u>576,871</u>	<u>536,817</u>
<b>OPERATING INCOME (LOSS)</b>	<u>199,533</u>	<u>(157,755)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Gain on Sale of Building	65,847	27,545
Other Grant Revenue	26,000	135,000
Interest Revenue	228	84
Interest Expense	(5,915)	-
Total Non-Operating Revenues	<u>86,160</u>	<u>162,629</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	285,693	4,874
Capital Contributions	<u>170,000</u>	<u>-</u>
Change in Net Position	455,693	4,874
Net Position, Beginning of Year	2,316,680	2,311,806
Net Position, End of Year	<u>\$ 2,772,373</u>	<u>\$ 2,316,680</u>

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 CASH FLOWS**

Years Ended May 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Principal Loan Collections	\$ 24,389	\$ 15,519
Cash Received from Interest on Loans Receivables	17,163	17,339
Cash Received from Administrative Fees	259,450	229,577
Cash Received from Rental Income	66,247	124,266
Cash Received from Lewis County Contract	180,558	-
Cash Payments for Salaries and Benefits	(161,737)	(153,591)
Cash Payments for Suppliers of Goods and Services	(152,258)	(249,423)
Cash Payments for Projects	(269,477)	(41,197)
Cash Payments for Tenant Security Deposits	(15,820)	-
Cash Payments for Loan Originations	<u>(26,000)</u>	<u>(21,160)</u>
Net Cash Used In Operating Activities	<u>(77,485)</u>	<u>(78,670)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating Grant Received	26,000	-
Cash Received from Line of Credit	<u>246,337</u>	<u>-</u>
Net Provided By Noncapital Financing Activities	<u>272,337</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Proceeds from Sale of Capital Assets	1,270,000	-
Purchase Option on Real Estate	-	(5,000)
Purchase of Capital Assets	<u>(350,000)</u>	<u>(692,748)</u>
Net Cash Provided By (Used In) Capital and Financing Activities	<u>920,000</u>	<u>(697,748)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned	228	84
Interest Paid	<u>(5,915)</u>	<u>-</u>
Net Cash Provided By (Used In) Investing Activities	<u>(5,687)</u>	<u>84</u>
Net Increase (Decrease) in Cash	1,109,165	(776,334)
Cash, Beginning of Year	<u>623,366</u>	<u>1,399,700</u>
Cash, End of Year	<u><u>\$ 1,732,531</u></u>	<u><u>\$ 623,366</u></u>

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 CASH FLOWS - CONTINUED**

Years Ended May 31, 2020 and 2019

RECONCILIATION TO THE STATEMENT OF NET POSITION

Cash	\$ 1,585,701	\$ 481,055
Restricted Cash	<u>146,830</u>	<u>142,311</u>
Total Cash	<u>\$ 1,732,531</u>	<u>\$ 623,366</u>

Reconciliation of Operating Income (Loss) to Net Cash Used In

Operating Activities:

Operating Income (Loss)	\$ 199,533	\$ (157,755)
Depreciation	9,969	15,585
Bad Debt Expense	1,954	39,904
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	-	1,248
Accounts Receivable	13,833	(22,447)
Grants Receivable	(252,252)	-
Interest Receivable	433	(433)
Loans Receivable	(1,611)	(5,641)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(18,527)	15,236
Accrued Expenses	3	2,013
Tenant Security Deposits	(15,820)	18,620
Unearned Rent Revenue	<u>(15,000)</u>	<u>15,000</u>
Net Cash Used In Operating Activities	<u>\$ (77,485)</u>	<u>\$ (78,670)</u>

See notes to audited basic financial statements.



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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 1 – NATURE OF OPERATIONS**

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**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 omits the Agency’s financial statements as a component unit in their financial statements since the Agency board members have complete responsibility for the management of the Agency and accountability for fiscal matters.

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

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**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**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

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

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**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 Net Position*—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 Net Position*—This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**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.

**Reclassifications**

Certain prior amounts have been reclassified to conform to current year presentation.

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

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

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**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, 2020 and 2019, respectively

Non-cash capital and financing activities:

	<b>2020</b>	<b>2019</b>
Loans Receivable	\$ -	\$ 200,000
Capital Assets, Net	\$ -	\$ (200,000)
Capital Assets, Net	\$ 170,000	\$ -
Capital Contribution	\$ 170,000	\$ -

**Accounts and Grants Receivable**

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. As of May 31, 2020 and 2019, management has determined based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**Loans Receivables**

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

Loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to an allowance for loan losses based on a loan rating system. The loan rating classifications are 1) Satisfactory, 2) Watch, and 3) Substandard. A percentage of each loan is allocated to the allowance calculation based on its classification. Management's periodic evaluation of the loan risk ratings is based on specific criteria such as past loan loss experience, cash flows, and estimated value of any underlying collateral. It is the Agency's policy to charge off uncollectible loans receivable when management determines the receivable will not be collected.

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

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

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**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 using the straight-line method over a useful life of thirty-nine years. Furniture and equipment are depreciated on the straight-line basis over seven years.

**Revenue and Expenses**

Revenue and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency are fees and interest revenue for administering bond issuances, PILOTs, and loan services. Operating expenses include the costs associated with the loan services, administrative expenses and depreciation on capital assets. Expenses that are for the development of economic activities are included in project expenses under operating expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Payment in Lieu of Tax Agreements**

The Agency has entered 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 reports no revenues or expenses related to the PILOT programs as amounts are only passed-through the Agency.

**Tax-Exempt Status**

The Agency is exempt from taxation under the Internal Revenue Code 1986. All required filings are handled through the County. Management has determined that the Agency does not have any uncertain tax positions.

**Date of Management's Review**

Management has evaluated subsequent events through August 31, 2020, the date which the financial statements were available to be issued. Management has determined such events have occurred; see Note 16 for a description of such events.

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 3 – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS**

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The Agency's investment policies are governed by state statutes. The Agency's monies must be deposited in FDIC insured commercial banks or trust companies located within the state or obligations of the U.S. treasury and U.S. Agencies.

Collateral is required for demand and time deposits and certificates of deposit 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 follows:

1. Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the entity's name; or
2. Uncollateralized.

Total financial institution (bank) balances at May 31, 2020 per the banks were \$1,836,492. These deposits are categorized as follows:

(1)	(2)
\$ 1,836,492	\$ -

The Agency does not typically purchase investments and is not exposed to any material interest rate risk. The Agency does not typically purchase investments denominated in foreign currency and is not exposed to foreign currency risk.

**NOTE 4 – PURCHASE OPTIONS ON REAL ESTATE**

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On June 15, 2012, the Agency was granted the exclusive right and option to purchase a commercial building owned by Black Moose Development, LLC in Lyons Falls, New York for \$10,000. The term of this option will expire on October 21, 2021.

On August 23, 2018 the Agency renewed a purchase option with a private owner for a total of \$10,000 for a potential business park. The option has expired; however, the Agency is permitted to renew the option per the terms of the agreement.

The total purchase options on real estate is \$20,000 as of May 31, 2020 and 2019, 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, 2020 and 2019

**NOTE 5 – CAPITAL ASSETS, NET**

Capital Assets, Net at May 31, 2020 are as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-Depreciable Assets:				
Land and Land Improvements	\$ 90,166	\$ 104,000	\$ (154,000)	\$ 40,166
Construction in Progress	74,314	-	-	74,314
Depreciable Assets:				
Furniture and Fixtures	1,236	-	-	1,236
Buildings	863,318	416,000	(1,067,818)	211,500
Total	1,029,034	520,000	(1,221,818)	327,216
Less - Accumulated Depreciation	16,214	9,969	(17,665)	8,518
Capital Assets, Net	<u>\$ 1,012,820</u>	<u>\$ 510,031</u>	<u>\$(1,204,153)</u>	<u>\$ 318,698</u>

Capital Assets, Net at May 31, 2019 are as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
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:				
Furniture and Fixtures	1,236	-	-	1,236
Buildings	259,611	771,818	(168,111)	863,318
Total	379,282	855,028	(205,276)	1,029,034
Less - Accumulated Depreciation	26,170	15,585	(25,541)	16,214
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 amount of \$74,314 for the years ended May 31, 2020 and 2019, respectively.

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 5 – CAPITAL ASSETS, NET- Continued**

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The Agency owns a building located at Trinity Avenue in Lowville, New York. The carrying value of the property is \$95,410 and \$97,756 as of May 31, 2020 and 2019, respectively. The Agency leases the building and collected 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:

2021	\$	9,720
2022		11,664
2023		11,664
2024		11,664
2025		11,664
Thereafter		<u>36,880</u>
Total	\$	<u>93,256</u>

**NOTE 6 – LOANS RECEIVABLE, NET**

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Loans receivable consist of mortgage receivables for property and installment lease receivables for equipment. These receivables are originated with unrestricted funds of the Agency and approved by the governing board for the purpose of economic development. As of May 31, 2020 and 2019, the unrestricted loans receivable, net of the allowance for loan losses were \$466,288 and \$498,879, respectively.

The Agency has established a microenterprise loan program to provide small eligible businesses with loans to stimulate businesses activity through start-up and expansion projects. This program was funded with \$79,000 of unused HUD CDBG monies from Lewis County. The Agency and County maintain a service agreement for the administration of the program. The receivables are restricted for the microenterprise loan program. As of May 31, 2020 and 2019, the loans receivable balance net of the allowance restricted for the microenterprise loan program were \$35,562 and \$21,249, respectively.

The Agency also participates in the USDA Rural Business Enterprise Grant (RBEG) revolving loan fund program. Per the terms of the grant agreement the receivables are restricted for the RBEG program. As of May 31, 2020 and 2019, the loans receivable balance net of the allowance restricted for the RBEG loan program were \$46,542 and \$28,607, respectively.

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 6 – LOANS RECEIVABLE, NET - Continued**

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Loans receivable, net consist of the following at May 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
<p>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 principal plus interest each month through the maturity date of April 10, 2031.</p>	\$ 100,000	\$ 100,000
<p>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 principal plus interest each month through the maturity date of March 1, 2019. During the year ended May 31, 2019, an allowance was made against the full amount of the outstanding loan. During the year ended May 31, 2020, the loan and allowance were reduced to \$0.</p>	-	9,233
<p>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.</p>	32,552	34,564
<p>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.</p>	12,909	16,929



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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 6 – LOANS RECEIVABLE, NET - Continued**

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	<b>2020</b>	<b>2019</b>
<p>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.</p>	175,872	180,306
<p>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.</p>	18,593	26,986
<p>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.</p>	194,996	198,038
<p>On November 14, 2019, the Agency entered into a loan agreement with Osceola Ski and Sport Resort, LLC, to provide a loan in the amount of \$26,000 at an interest rate of 5.25% over 5 years. Principal and interest payments of \$494 are due each month.</p>	24,084	-

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 6 – LOANS RECEIVABLE, NET - Continued**

	<b>2020</b>	<b>2019</b>
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.	<u>19,962</u>	<u>20,534</u>
Total Loans Receivable	578,968	586,590
Less: Allowance for Loan Loss	(30,576)	(37,855)
Less: Current Portion	<u>(59,405)</u>	<u>(29,419)</u>
Loans Receivable, Net	<u><u>\$ 488,987</u></u>	<u><u>\$ 519,316</u></u>

	<b>2020</b>	<b>2019</b>
Reconciliation of Loans Receivable, Net to Statements of Net Position		
Restricted Assets - Loans Receivable, Net	82,104	49,856
Noncurrent Assets - Loans Receivable, Net	<u>406,883</u>	<u>469,460</u>
Total Loans Receivable, Net	<u><u>\$ 488,987</u></u>	<u><u>\$ 519,316</u></u>

Annual principal future maturities of the loan receivables as of May 31, 2020 are as follows:

2021	\$	59,405
2022		63,038
2023		49,590
2024		40,812
2025		40,039
Thereafter		<u>326,084</u>
Total	<u><u>\$</u></u>	<u><u>578,968</u></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, 2020 and 2019

**NOTE 6 – LOANS RECEIVABLE, NET - Continued**

**Credit Quality Information**

Credit quality as of May 31, 2020 is as follows:

Internally assigned grade:

Satisfactory – loans in this category show the borrower is responsible for the credit, financial statements are current, of good quality and in adequate detail, financial condition is generally on par with the industry average, earnings are generally profitable, cash flow is sufficient, borrower adheres to repayment schedule and loan covenants, integrity and ability of management are good, and collateral is adequate.

Watch – loans in this category contain higher risk profiles but credit is generally current, and the loan is being paid as agreed. These loans may be missing current financial statements, financial conditions is below industry average, the borrower is experiencing negative trends or unstable financial performance, cash flow may be potentially inadequate, borrower adheres to repayment schedule but may have violated loan covenants, integrity of management is good, collateral is moderate, and the business may be closing.

Substandard – loans in this category are inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These loans hold the distinct possibility that the Agency will sustain some losses if the deficiencies are not corrected.

	<u>Satisfactory</u>	<u>Watch</u>	<u>Substandard</u>	<u>Total Loans Receivable</u>
Real Estate and Equipment Loans Receivable	\$ 490,830	\$ -	\$ -	\$ 490,830
Micro Enterprise Loans Receivable	22,206	16,074	-	38,280
RBEG Program Loans Receivable	33,380	16,478	-	49,858
	<u>\$ 546,416</u>	<u>32,552</u>	<u>\$ -</u>	<u>\$ 578,968</u>

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 6 – LOANS RECEIVABLE, NET - Continued**

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For the year ended May 31, 2019, credit quality was based on identification of specific at-risk loans based on management’s judgment.

The aging of the Loans Receivable portfolio as of May 31, 2020 and 2019 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, 2020					
Loans Receivable, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,552</u>	<u>\$ 546,416</u>	<u>\$ 578,968</u>
May 31, 2019					
Loans Receivable, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,928</u>	<u>\$ 553,662</u>	<u>\$ 586,590</u>

The allowance for loan losses is based on management’s loan risk ratings. The funding of the allowance account is adjusted based on the loan risk rating calculation. The allowance for loan losses at May 31, 2020 and 2019 was \$30,576 and \$37,855, respectively.

Activity in the allowance for loan losses is as follows:

Balance - June 1, 2018	\$ -
Provision for Loan Loss	39,904
Recovery	-
Write-offs	<u>(2,049)</u>
Balance - May 31, 2019	\$ 37,855
Provision for Loan Loss	1,954
Recovery	-
Write-offs	<u>(9,233)</u>
Balance - May 31, 2020	<u>\$ 30,576</u>

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 7– LINE OF CREDIT**

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A promissory note dated December 26, 2019 was signed between the Agency and Community Bank for an unsecured line of credit loan to the Agency in the amount of \$350,000 due December 30, 2020. The interest rate is variable based on the Wall Street Journal Prime Rate (the “Index”). The interest rate at May 31, 2020 was 5.25%. At May 31, 2020 the outstanding loan balance was \$246,337. The proceeds were used to finance the Lyons Falls paper mill demolition economic development project in anticipation of grant revenue to be received from the Empire State Development Corporation.

**NOTE 8 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

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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, 2020 and 2019 there were no outstanding industrial development revenue bonds.

**NOTE 9 – RESTRICTED NET POSITION**

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	<b>2020</b>	<b>2019</b>
Economic Development Fund	\$ 66,079	\$ 80,065
Micro Enterprise Loan Fund	78,743	58,723
Rural Business Enterprise Loan Fund	<u>84,112</u>	<u>53,379</u>
Total Restricted Net Position	<u>\$ 228,934</u>	<u>\$ 192,167</u>

The economic development fund represents restricted cash from prior year unspent contracts from Lewis County. The micro enterprise loan fund and the rural business enterprise loan fund are described in Note 6. The restricted assets relating to the loan funds consist of cash and outstanding loans receivable, net of allowance.

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 10 – CONTRACT REVENUE**

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The Agency has received a contract of \$180,558 from the County of Lewis to be used by the Agency for economic development projects that benefit the communities of Lewis County. For the years ended May 31, 2020 and 2019, contract revenue was recognized in the amount of \$180,558 and \$0, respectively.

**NOTE 11 – OPERATING GRANT REVENUE**

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The Agency participates in an agreement with the Village of Lyons Falls and Lewis County Development Corporation to facilitate the abatement and demolition of structures located at the former Lyons Falls Pulp and Paper Mill in Lyons Falls, New York. The Agency has been approved for \$350,000 in funding by the New York Empire State Development Corporation for their share of economic development project costs. The Agency has recognized grant revenue and economic development project expenses of \$252,252 and \$0 for the years ended May 31, 2020 and 2019, respectively.

**NOTE 12 – OTHER GRANT REVENUE**

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In a prior year, 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 \$26,000 and \$0 as of May 31, 2020 and 2019, respectively.

The Agency is a subrecipient of a HUD micro enterprise loan program grant from the County of Lewis. The grant is disbursed as loans to eligible businesses. For the years ended May 31, 2020 and 2019, grant revenue was recognized in the amount of \$0, respectively.

On October 29, 2018 the Agency was awarded a capital grant of \$135,000 from New York Empire State Development Corporation to assist with the purchase of the former Climax building for site-ready space. The Agency purchased the building on October 14, 2018 and created a Center for Business property. The Agency subsequently sold the building on October 4, 2019. For the years ended May 31, 2020 and 2019, grant revenue recognized was \$0 and \$135,000, respectively.

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

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

May 31, 2020 and 2019

**NOTE 13 – OPERATING LEASE**

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During the year ended May 31, 2020, the Agency leases office space in the Center for Business at \$350 per month for a term beginning October 4, 2019 and ending October 3, 2020.

During the year ended May 31, 2019, the Agency paid monthly rent for occupied office space at a former location. The monthly rent was \$900 on a month-to-month basis per the terms of an agreement between the Agency and the lessor. The lease was terminated as of May 31, 2019.

Total rent expense was \$3,125 and \$11,125 for the years ended May 31, 2020 and 2019, respectively.

**NOTE 14 – RETIREMENT PLAN**

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The Agency participates in a Simple IRA plan. The Agency's contribution is set at 3% of employees' annual salary. All full-time employees are eligible to participate in the plan. For the years ended May 31, 2020 and 2019, retirement expense was \$2,939 and \$2,358, respectively.

**NOTE 15 – WOOD PRODUCTS INDUSTRIAL PARK**

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In 1997, the Agency was a recipient of a federal grant from the U. S. Department of Commerce - Economic Development Administration for an amount of \$600,000. The grant was utilized to construct a 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. On June 18, 2019, the Agency purchased the property from the former owner for \$350,000 and sold the property to DANC on August 19, 2019 for \$350,000.

**NOTE 16 – SUBSEQUENT EVENTS**

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In the recent months, the COVID-19 outbreak in the United States has resulted in business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Agency expects this matter to negatively impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.



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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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY**, as of and for the year ended May 31, 2020, 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 31, 2020.

**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 2020-001 is considered a significant deficiency.

### **Compliance and Other Matters**

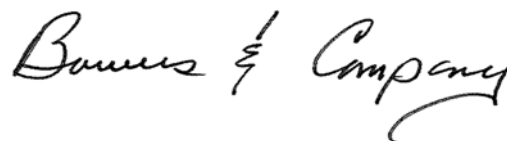
As part of obtaining reasonable assurance about whether County of Lewis Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 31, 2020

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

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**SCHEDULE OF FINDING AND RESPONSE**

May 31, 2020

**FINDING 2020-001 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. The Agency is working towards mitigating the deficiency by adding a Director of Finance position within the Agency to ensure that finance is the utmost priority. The Director of Finance's role is to provide and support the information provided to the board of directors, committees, and management. The Director of Finance will be pursuing further education and professional development.



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**2020 INVESTMENT REPORT**

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

The County of Lewis Industrial Development Agency had no investments to report in 2020.

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Brittany Davis, Executive Director  
August 31, 2020



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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, 2020, 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 a certain matter involving the internal control structure and other operational matters that is presented for your consideration. We previously reported on the Organization's internal control structure in our report dated August 31, 2020. This letter does not affect our report dated August 31, 2020 on the financial statements of the County of Lewis Industrial Development Agency.

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

**Approve Bank Reconciliations**

Although we were advised that all bank reconciliations are approved by management, no indication of such review was evident on the reconciliations selected for review. We recommend that the reconciliations be signed as an indication of approval.

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.

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

Watertown, New York  
August 31, 2020



BOWERS & COMPANY  
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

August 31, 2020

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, 2020. 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 June 5, 2020. 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 the 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 2020. 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 31, 2020  
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 31, 2020.

*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 31, 2020  
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,

*Bowers & Company*

To the Board of Directors of  
 County of Lewis Industrial Development Agency  
 August 31, 2020  
 Page 4

Client:	00224-1000 - County of Lewis Industrial Development Agency			
Engagement:	2020 - County of Lewis Industrial Development Agency			
Period Ending:	5/31/2020			
Trial Balance:	RP 02.01 - TB Database			
Workpaper:	RP 03.01 - General Fund Adjusting Journal Entries Report			
Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 7</b>		<b>13.00</b>		
to correct fixed asset balances to depreciation schedule				
1300	Accumulated Depreciation		2,346.00	
1935.1	Lyonsdale Land		30,000.00	
3150	Agency Exp:General & Admin:Office:Office Purch		745.00	
3290	Depreciation		1,026.00	
1600	Office Equipment			745.00
1920	Accumulated Depreciation			3,372.00
1935	Lyonsdale Commercial Building			30,000.00
<b>Total</b>			<b>34,117.00</b>	<b>34,117.00</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>01-X.08</b>		
to record ESD grant revenue and receivable for Lyons Falls project				
1101-04	Grant Receivable		252,252.00	
3009	Operating Grant Revenue			252,252.00
<b>Total</b>			<b>252,252.00</b>	<b>252,252.00</b>