

JEFFERSON COUNTY LOCAL
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

December 31, 2022

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JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

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**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS
JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the fifteen-month period then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jefferson County Local Development Corporation as of December 31, 2022, and the changes in its net assets and its cash flows for the fifteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jefferson County Local Development Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson County Local Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jefferson County Local Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson County Local Development Corporation's ability to continue as a going concern for a reasonable period of time.

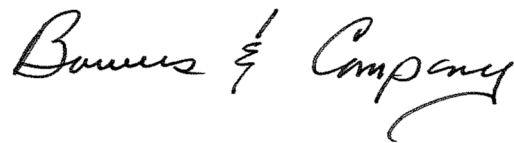
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2023, on our consideration of Jefferson County Local Development Corporation'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 Jefferson County Local Development Corporation'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 Jefferson County Local Development Corporation's internal control over financial reporting and compliance.

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

Watertown, New York
March 1, 2023

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

CURRENT ASSETS

| | |
|----------------------|--------------|
| Cash | \$ 4,822,307 |
| Loans Receivable | 351,538 |
| Other Receivables | 7,000 |
| Prepaid Expenses | 2,135 |
| | <hr/> |
| Total Current Assets | 5,182,980 |

| | |
|--------------------------------------|---------|
| PROPERTY AND EQUIPMENT, NET | 85,240 |
| RIGHT OF USE ASSET - OPERATING LEASE | 175,454 |
| | <hr/> |

| | |
|---------------------|---------------------|
| TOTAL ASSETS | \$ 5,443,674 |
| | <hr/> <hr/> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--|-----------|
| Accounts Payable | \$ 10,513 |
| Accrued Expenses | 22,761 |
| Current Portion of Operating Lease Liability | 1,358 |
| Unearned Revenue | 1,511,585 |
| | <hr/> |
| Total Current Liabilities | 1,546,217 |

| | |
|-------------------------------------|---------|
| LONG-TERM OPERATING LEASE LIABILITY | 202,078 |
| | <hr/> |

| | |
|-------------------|-----------|
| Total Liabilities | 1,748,295 |
| | <hr/> |

NET ASSETS

| | |
|---------------------------------------|-----------|
| Net Assets Without Donor Restrictions | |
| Undesignated/Total Net Assets | 3,695,379 |
| | <hr/> |

| | |
|---|---------------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,443,674 |
| | <hr/> <hr/> |

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

Fifteen-Month Period Ended December 31, 2022

SUPPORT AND REVENUE

| | |
|------------------------------|------------|
| Jefferson County Support | \$ 517,650 |
| Grant Revenue | 753,965 |
| Administrative Fees | 792,256 |
| Interest on Loans Receivable | 24,712 |
| Interest Income | 3,829 |
| Miscellaneous | 84,651 |
| | <hr/> |
| Total Support and Revenue | 2,177,063 |

EXPENSES

| | |
|----------------------------|-----------|
| Agriculture | 260,706 |
| Marketing | 406,797 |
| Economic Development | 769,651 |
| General and Administrative | 589,944 |
| | <hr/> |
| Total Expenses | 2,027,098 |

CHANGE IN NET ASSETS 149,965

NET ASSETS, BEGINNING OF PERIOD

3,545,414

NET ASSETS, END OF PERIOD

\$ 3,695,379

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Fifteen-Month Period Ended December 31, 2022

| | <u>Program Services</u> | | | <u>Total Program Services</u> | <u>General and Administrative</u> | <u>Total</u> |
|---|-------------------------|-------------------|-----------------------------|-------------------------------|-----------------------------------|---------------------|
| | <u>Agriculture</u> | <u>Marketing</u> | <u>Economic Development</u> | | | |
| Salaries and Employee Benefits | \$ 224,468 | \$ 266,439 | \$ - | \$ 490,907 | \$ 406,581 | \$ 897,488 |
| Advertising and Promotion | 5,883 | 68,877 | - | 74,760 | - | 74,760 |
| Covid-19 Emergency Loan Forgiveness | - | - | 8,750 | 8,750 | - | 8,750 |
| Dues and Subscriptions | 739 | - | - | 739 | 16,049 | 16,788 |
| Equipment Rental and Maintenance | - | - | - | - | 10,390 | 10,390 |
| Grant Expense | - | - | 753,965 | 753,965 | - | 753,965 |
| Manufacturing and Business Support | - | - | 6,519 | 6,519 | - | 6,519 |
| Miscellaneous | 8,718 | - | - | 8,718 | 1,801 | 10,519 |
| Occupancy | 3,697 | 31,429 | - | 35,126 | 48,031 | 83,157 |
| Office Expenses | 5,244 | 20,422 | - | 25,666 | 37,241 | 62,907 |
| Operating Lease Expense | 1,490 | 12,669 | - | 14,159 | 23,103 | 37,262 |
| Professional Fees | - | - | - | - | 11,096 | 11,096 |
| Travel, Training and Conferences | 9,726 | 662 | 417 | 10,805 | 5,707 | 16,512 |
| Utilities | 741 | 6,299 | - | 7,040 | 11,485 | 18,525 |
| Total Expenses Before Depreciation | 260,706 | 406,797 | 769,651 | 1,437,154 | 571,484 | 2,008,638 |
| Depreciation | - | - | - | - | 18,460 | 18,460 |
| TOTAL EXPENSES | \$ 260,706 | \$ 406,797 | \$ 769,651 | \$ 1,437,154 | \$ 589,944 | \$ 2,027,098 |

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Fifteen-Month Period Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------|
| Change in Net Assets | \$ 149,965 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Depreciation Expense | 18,460 |
| Covid-19 Emergency Loan Forgiveness Expense | 8,750 |
| Amortization of Right of Use Asset - Operating Lease | 29,622 |
| Decrease in: | |
| Other Receivables | 500 |
| Prepaid Expenses | 5,699 |
| Increase (Decrease) in: | |
| Accounts Payable | 6,029 |
| Accrued Expenses | (1,898) |
| Operating Lease Liability | (1,640) |
| Unearned Revenue | 1,476,905 |
| Net Cash Provided by Operating Activities | <u>1,692,392</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------------|
| Purchase of Property and Equipment | (3,254) |
| Principal Collections on Loans Receivable | 397,415 |
| Net Cash Provided by Investing Activities | <u>394,161</u> |

Net Increase in Cash 2,086,553

Cash, Beginning of Period 2,735,754

Cash, End of Period \$ 4,822,307

See notes to audited financial statements.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – NATURE OF OPERATIONS

Jefferson County Local Development Corporation (the LDC) is a non-profit organization, incorporated in New York State. The LDC was formed October 1, 2009. The purpose of the LDC is to develop and cultivate a strong economic environment, which supports business and nurtures growth and new investment in Jefferson County, NY (the County).

The mission of the Jefferson County Local Development Corporation includes undertaking projects and programmatic initiatives in furtherance of and to advance the job opportunities, health, general prosperity, and economic welfare of the people of the County.

The LDC adopted a new financial reporting period of January 1 through December 31. The LDC's previous reporting period was October 1 through September 30. Accordingly, these financial statements reflect a fifteen-month reporting period of October 1, 2021 through December 31, 2022.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Jefferson County Local Development Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The LDC reports information regarding its financial position and activities according to one class of net assets: net assets without donor restrictions.

Net Assets Without Donor Restrictions – Are currently available for operating purposes subject only to the broad limits resulting from the nature of the LDC. Net assets without donor restrictions generally result from Jefferson County support, grant revenue, administrative fees and interest, less expenses incurred in providing program-related services and performing administrative functions.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumption are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents

The LDC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. For the fifteen-month period ended December 31, 2022, the LDC reported no cash equivalents.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated at unpaid principal balances. 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 amounts 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. There was no allowance for loan losses deemed necessary for the fifteen-month period ended December 31, 2022. It is the LDC's policy to charge off uncollectible loans receivable when management determines the receivable will not be collected.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment

Property and equipment are recorded at cost. The LDC follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

| Category | Recovery Period Years |
|------------------------|------------------------------|
| Equipment | 5 - 10 |
| Furniture and Fixtures | 5 - 10 |

Operating Leases

The LDC leases office space. The LDC determines if an arrangement is a lease at inception. Operating leases are included in right of use (ROU) asset – operating lease, current portion of operating lease liability, and long-term operating lease liability on the statement of financial position.

ROU assets represent the LDC’s right to use an underlying asset for the lease term and lease liabilities represent the LDC’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The ROU asset also includes any lease payments made and excludes lease incentives. The LDC’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the LDC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the ROU asset and operating lease liability, the LDC uses rates implicit in the lease, or if not readily available, the LDC adopted the accounting policy available to non-public entities which allows the use of a risk-free rate. The risk-free rate is the incremental borrowing rate of the LDC for the same period of time as the lease term. The LDC has elected to use the risk-free rate based on the commencement date.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Unearned Revenue

The LDC is the recipient of grant and contract awards that require expenditure for specified activities before the LDC is reimbursed by the grantor or contractor for the costs incurred. Certain grantors or contractors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as unearned revenue.

Income Tax Status

The LDC is a not-for-profit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Open Tax Years

The LDC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2021, 2020, and 2019 are subject to examination by the IRS, generally for 3 years after they were filed. Based on its analysis, the LDC determined that there were no uncertain tax positions and that the LDC should prevail upon examination by the taxing authorities.

Revenue Recognition

In accordance with ASU 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), the LDC recognizes revenue when control of the promised goods or services are transferred to the LDC's outside parties in an amount that reflects the consideration the LDC expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized when performance obligations within a contract are satisfied.

Administrative Fees

Jefferson County Industrial Development Agency reimburses the LDC for certain administrative and staff support expenses. Revenue is recognized as administrative services are provided.

In accordance with ASU 2018-08, "*Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*" (Topic 958), the LDC has revenue sources that are accounted for and recognized as nonreciprocal transactions at the time of the transaction.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition - Continued

Jefferson County Support

The LDC receives Agriculture Program and Marketing grant monies from Jefferson County. Amounts received are recognized as revenue when earned, and amounts received in advance of qualifying expenditures are recorded as unearned revenue.

Grant Revenue

Grant revenue result from cost-reimbursable grants and contracts, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the LDC has incurred expenditures in compliance with specific grant provisions.

Advertising

Advertising costs are expensed as they are incurred. Advertising expense amounted to approximately \$75,000 for the fifteen-month period ended December 31, 2022.

Functional Allocation of Expenses

Expenses consist of costs related to providing services and administrative functions. The LDC's operating costs have been allocated based on direct identification when possible, and allocation if a single expenditure benefits more than one function. Compensation, benefits, and certain other operating expenses are allocated based on estimates of time and effort.

Statement of Cash Flows

Supplemental disclosures of noncash investing and financing activities for the fifteen-month period ended December 31, 2022 are as follows:

Right of Use Asset - Operating Lease in Exchange for Operating Lease Liability \$ 205,076

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right of use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The LDC changed its financial reporting period to January 1, 2022 through December 31, 2022. The interim period of October 1, 2021 through December 31, 2021 was included with the current year financial statements. Therefore, adoption of the lease standard included the fifteen-month reporting period. The LDC adopted the standard effective October 1, 2021 and recognized and measured leases existing at, or entered into after, October 1, 2021.

The LDC recognized on October 1, 2021, a lease liability of \$205,076, which represents the present value of the remaining operating lease payments, discounted using the discount rate, based upon lease terms, and a right of use asset – operating lease of \$205,076.

Date of Management’s Review

The LDC has evaluated events and transactions that occurred between December 31, 2022 and March 1, 2023, which is the date the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures necessary.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – LOANS RECEIVABLE

Loans receivable consisted of the following at December 31, 2022:

| | |
|---------------------------------|-------------------|
| Revolving Loan Fund Program | \$ 192,630 |
| Covid-19 Emergency Loan Program | 150,472 |
| Clayton Loan Program | 8,436 |
| Total | <u>\$ 351,538</u> |

The following is a schedule of the outstanding Revolving Loan Fund Program loans receivable at December 31, 2022:

Revolving Loan Fund Program

| | |
|-----------------------------------|-------------------|
| Clayton Island Tours | \$ 10,076 |
| Clayton Yacht Club | 36,891 |
| North Branch Farms | 31,542 |
| WICLDC #1 | 94,833 |
| WICLDC #2 | 19,288 |
| Total Revolving Loan Fund Program | <u>\$ 192,630</u> |

Covid-19 Emergency Loan Program

During the year ended September 30, 2020, the LDC disbursed 30 Covid-19 Emergency loans, 28 of which were for \$10,000 each, and two participation loans for \$5,000 each. The loan terms call for 13 monthly interest only payments followed by 60 monthly principal and interest payments, at an interest rate of 3.00%. Once the loan is paid down to a balance of \$2,500, the remaining balance is forgiven and recorded as loan forgiveness expense by the LDC. During the fifteen-month period ended December 31, 2022, the LDC recorded \$8,750 of COVID-19 Emergency Loan Forgiveness expense.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – LOANS RECEIVABLE– Continued

Clayton Loan Program

During the year ended September 30, 2021, the LDC established a Clayton Loan Program in order to assist businesses in Clayton, New York affected by high waters on the St. Lawrence River and ongoing construction in the downtown area. Two loans were disbursed for \$5,000 each. The loan terms call for 12 months of interest only payments, followed by 60 months of principal and interest payments, at an interest rate of 3.00%. The remaining balance on each of the loans at December 31, 2022 was \$4,218 for a total of \$8,436.

The aging of the loans receivables portfolio by classes as of December 31, 2022 is summarized as follows:

| | 30-59 Days Past Due | 60-89 Days Past Due | Greater Than 90 Days | Current | Total Loans Receivable |
|--------------------------|---------------------------|---------------------------|----------------------------|-------------------|---------------------------|
| Revolving Loan Fund | \$ - | \$ - | \$ - | \$ 192,630 | \$ 192,630 |
| Covid-19 Emergency Loans | - | - | - | 150,472 | 150,472 |
| Clayton Loan Program | - | - | - | 8,436 | 8,436 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 351,538</u> | <u>\$ 351,538</u> |

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and Equipment at December 31, 2022 consist of the following:

| | |
|--------------------------------|------------------|
| Furniture and Fixtures | \$ 76,898 |
| LHI Records Storage | 87,030 |
| Total | <u>163,928</u> |
| Less: Accumulated Depreciation | <u>(78,688)</u> |
| Property and Equipment, Net | <u>\$ 85,240</u> |

Depreciation expense for the fifteen-month period ended December 31, 2022 was \$18,460.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5 – LEASES

The LDC leases office space from Watertown Industrial Center LDC, a related party, under a 10-year lease agreement. As of December 31, 2022, the operating lease ROU asset and operating lease liability related to this agreement was \$175,454 and \$203,436, respectively. The remaining lease term of this agreement is 6.75 years and the discount rate was 3%. The operating lease expense for the fifteen-month period ended December 31, 2022 was \$37,262.

Future minimum lease payments under non-cancellable leases as of December 31, 2022 are as follows:

| | Operating Leases |
|---|-----------------------------|
| 2023 | \$ 7,424 |
| 2024 | 16,378 |
| 2025 | 43,239 |
| 2026 | 43,239 |
| 2027 | 43,239 |
| Thereafter | <u>75,669</u> |
| Total Future Minimum Lease Payments | 229,188 |
| Less Imputed Interest | <u>25,752</u> |
| Total | 203,436 |
| Less Current Portion | <u>1,358</u> |
| Total Long-Term Operating Lease Liability | <u><u>\$ 202,078</u></u> |

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6 – RELATED PARTY AGREEMENTS AND TRANSACTIONS

The LDC rents office space from Watertown Industrial Center LDC under a 10-year lease agreement. See Note 5 for further details.

An agreement was executed between the LDC and the Jefferson County Industrial Development Agency (JCIDA), where JCIDA agreed to pay the LDC for administrative and staff support. The amount charged to the JCIDA by the LDC was \$792,256 for the fifteen-month period ended December 31, 2022. This agreement commenced effective August 1, 2013 and is automatically renewed. The fee is recalculated annually based on the LDC's budget. For the fifteen-month period ended December 31, 2022 the entire fee was paid by JCIDA and recognized as revenue by the LDC.

On December 1, 2010, the LDC loaned Watertown Industrial Center Local Development Corporation \$200,000 for roof replacement expenses. The loan matures on January 1, 2031. As of December 31, 2022 the balance remaining on this loan was \$94,833.

On September 10, 2018, the LDC loaned Watertown Industrial Center Local Development Corporation \$98,082 for renovations to the northeast corner of Building A at the Watertown Center for Business and Industry which will provide an additional 33,432 square feet for the current tenant. The loan matures on October 1, 2023. As of December 31, 2022, the balance remaining on this loan was \$19,288.

NOTE 7 – UNEARNED REVENUE

Unearned revenue represents payments received in advance of incurring specified costs. The activity and balances for unearned revenue are as follows:

| | |
|--|---------------------|
| Unearned Revenue, October 1, 2021 | \$ 34,680 |
| Revenue Recognized | (34,680) |
| Cash Received in Advance of Performance: | |
| Jefferson County Marketing Grant | 206,550 |
| ARPA Grant | <u>1,305,035</u> |
| Unearned Revenue, December 31, 2022 | <u>\$ 1,511,585</u> |

The balances will be recognized as revenue beginning January 1, 2023 as specified costs are incurred.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 8 – JEFFERSON COUNTY SUPPORT

The LDC receives Agriculture Program and Marketing grant monies from Jefferson County. The total contributions consisted of the following for the fifteen-month period ended December 31, 2022:

| | |
|--|-------------------|
| Jefferson County Agriculture Program Grant | \$ 173,400 |
| Jefferson County Marketing Grant | 344,250 |
| | <u>\$ 517,650</u> |

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

The LDC maintains its cash balances in financial institutions located in Watertown, NY. Interest-bearing deposits and non-interest-bearing deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. The LDC's aggregate bank balances included balances not covered by depository insurance at year-end. Deposits in the amount of \$4,326,820, for the year ended December 31, 2022, respectively, are collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the LDC's name. All deposits were fully collateralized as of December 31, 2022.

NOTE 10 – RETIREMENT PLAN

On August 1, 2013, the LDC established a 401K Profit Sharing Pension Plan. The Plan is administered by RBC Wealth Management. The employer contribution is set at 4% of the employees' annual salary. All full-time employees are covered by the Plan. For the fifteen-month period ended December 31, 2022, the LDC made contributions in the amount of \$52,235.

NOTE 11 – GRANT REVENUE

In an agreement dated May 5, 2022, The LDC is a subrecipient of United States Coronavirus State and Local Fiscal Recovery Funds (ARPA grant) in the amount of \$2,059,000 from Jefferson County Industrial Development Agency (Agency), for a grant period through December 31, 2024. The ARPA grant was originally received by Jefferson County and passed through to the Agency.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 11 – GRANT REVENUE - Continued

The ARPA grant funds are to be used for the following programs:

- (1) Small business productivity improvement and incumbent worker training
- (2) Rental property deferred maintenance program
- (3) Local foods resiliency initiative
- (4) Expansion of childcare services

For the fifteen-month period ended December 31, 2022, the LDC recognized \$753,965 in grant revenues and grant expense. The unspent grant proceeds received in the amount of \$1,305,035 are reported as unearned revenue at December 31, 2022.

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The LDC monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The LDC anticipates collecting sufficient revenue to meet general expenditures. The following table reflects the LDC's financial assets as of December 31, 2022, reduced by amounts that are not available to meet general expenditures within one year.

Financial Assets:

| | |
|--|----------------------------|
| Cash | \$ 4,822,307 |
| Loans Receivable | 351,538 |
| Other Receivables | <u>7,000</u> |
| Financial Assets, at Year-End | <u>5,180,845</u> |
| Less Those Unavailable For General Expenditure Within One Year, Due To: | |
| Loans Receivable Collectible Beyond One Year | <u>(260,172)</u> |
| Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year | <u><u>\$ 4,920,673</u></u> |

FEDERAL AWARD PROGRAM INFORMATION



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

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 Jefferson County Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the fifteen-month period then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson County Local Development Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Jefferson County Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson County Local Development Corporation'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 a 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.

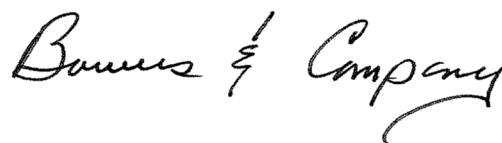
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County Local Development Corporation's financial statements are free from 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 financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Watertown, New York
March 1, 2023



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**BOARD OF DIRECTORS
JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Jefferson County Local Development Corporation's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Jefferson County Local Development Corporation's major federal programs for the fifteen-month period ended December 31, 2022. Jefferson County Local Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Jefferson County Local Development Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fifteen-month period ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Jefferson County Local Development Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Jefferson County Local Development Corporation compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Jefferson County Local Development Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Jefferson County Local Development Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Jefferson County Local Development Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Jefferson County Local Development Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Jefferson County Local Development Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County Local Development Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

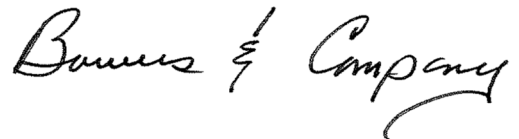
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Watertown, New York
March 1, 2023

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fifteen-Month Period Ended December 31, 2022

| Federal Grantor/Program or Cluster Title | Assistance Listing | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|--|-------------------------------|---|---|
| U.S Department of the Treasury | | | |
| Passed Through Jefferson County Industrial Development Agency: | | | |
| COVID-19: Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | \$ 753,965 |
| Total COVID-19: Coronavirus State and Local Fiscal Recovery Funds | | | <u>753,965</u> |
| Total U.S Department of Treasury | | | <u>753,965</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 753,965</u></u> |

See Paragraph on Supplementary Information Included in Independent Auditor's Report and
Accompanying Notes to the Schedule of Expenditures of Federal Awards.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Jefferson County Local Development Corporation under programs of the federal government for the fifteen-month period ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Jefferson County Local Development Corporation it is not intended to and does not present the financial position, changes in net assets, or cash flows of Jefferson County Local Development Corporation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented. The LDC has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2022

SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of Jefferson County Local Development Corporation.
2. No significant deficiencies relating to the audit of the financial statements of Jefferson County Local Development Corporation were disclosed during the audit. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Jefferson County Local Development Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor’s Report on Compliance with Requirements for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor’s report on compliance for the major federal award programs for Jefferson County Local Development Corporation expresses an unmodified opinion on the major federal programs.
6. There were no audit findings to be reported in accordance with CFR Section 200.516(a) related to the major federal programs for Jefferson County Local Development Corporation.
7. The program tested as a major program include:
Coronavirus State and Local Fiscal Recovery Funds 21.027
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Jefferson County Local Development Corporation was determined to not be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings to report.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings to report.