

**JEFFERSON COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY**  
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**REPORT ON AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**SEPTEMBER 30, 2012**

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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SEPTEMBER 30, 2012

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**POULSEN & PODVIN, CPA, P.C.**

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Jefferson County Industrial Development Agency  
Watertown, NY 13601

We have audited the accompanying financial statements of Jefferson County Industrial Development Agency ("the **Agency**"), a component unit of Jefferson County, as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Jefferson County Industrial Development Agency as of September 30, 2012, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the Jefferson County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-12) 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Jefferson County Industrial Development Agency's financial statements as a whole. The supplemental schedules SS-1 through SS-6, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Poulsen & Poduin, CPA, P.C.*

November 29, 2012

## **JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

### **Management's Discussion and Analysis**

As financial management of the Jefferson County Industrial Development Agency (JCIDA) (the "Agency"), we offer readers of these financial statements this narrative overview and analysis of these financial statements of the JCIDA for the fiscal year ended September 30, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented in conjunction with the financial statement as a whole.

### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to JCIDA's financial statements, which are composed of the basic financial statements, the notes to the financial statements and other supplemental information as described below. The financial statements of the Agency report information about the Agency using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. Responsibility for the completeness and fairness of the information contained rests with the JCIDA's management.

The Jefferson County Local Development Corporation (JCLDC) was started to develop and cultivate a strong economic environment, which supports businesses and nurtures growth and new investment in the County. The Organization was started October 1, 2009. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since both Organizations shared the same Board.

### **Basic Financial Statements:**

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

The *statement of net assets* presents information on all the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities, will result in increased net assets, which indicates an improved financial position.

The *statement of revenues, expenses, and changes in net assets* presents information showing how the Agency's net assets changed during the fiscal year. All changes in net assets 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 *statement of cash flows* provides 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** – The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report presents Supplemental Schedules SS-1 through SS-6 on pages 31 - 36, which are presented for purposes of additional analysis only. Also presented is Supplemental Schedule SS-7 (page 37) which is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

### **Financial Analysis:**

#### ***Statement of Net Assets***

JCIDA's assets consist primarily of cash and cash equivalents, loans, grants and capital lease receivables, and capital assets. The restricted cash and cash equivalent accounts consist of prepaid PILOT monies, and funds held for lending from the three loan programs. Descriptions of the loan programs are presented below:

- ◆ **Revolving Loan Program**—this program generally provides loans up to about \$250,000. In extenuating circumstances, larger loans have been made. The interest rate is typically below market and the term ranges from 1 year to 20 years. Usually, the loan dollar amount caps at 40% of the total project costs.
- ◆ **Microenterprise Loan Program**—this program generally provides loans up to \$40,000. It is designed for smaller projects for businesses employing five or fewer people. Some or all of the employees need to be in the low to moderate-income levels as defined by the federal government.
- ◆ **City Loan Program**—this program is designed for projects located in the City of Watertown.

Loan program net receivables at September 30, 2012 was \$3,646,560.

### **Capital Assets**

Capital assets are comprised primarily of land (approximately 75 acres used for an industrial park) and a building at City Center Plaza, Arsenal Street, Watertown, New York, which is leased to Stream International, Inc.

#### **Capital Assets**

	<b>Years Ended September 30,</b>	
	<b>2011</b>	<b>2012</b>
Land and improvements	\$ 639,814	\$ 606,137
Building	822,803	828,853
Total Capital Assets	<u>1,462,617</u>	<u>1,434,990</u>
Less: Accumulated depreciation:		
Building	523,433	643,514
Total accumulated depreciation	<u>523,433</u>	<u>643,514</u>
Total Capital Assets, Net of Depreciation	<u>\$ 939,184</u>	<u>\$ 791,476</u>

JCIDA's major liabilities consist of operating payables and payments due to taxing jurisdictions from PILOT payments. Additionally, various notes payable were incurred for costs associated with the purchase and improvements to the Stream building, and improvements to the Industrial Park land, see page 10 for additional details.

Net assets include capital assets, net of depreciation and related debt of \$641,476, unrestricted fund of \$4,143,204, and restricted loan funds as follows:

Revolving Loan Funds	\$ 4,795,090
Microenterprise Loan Funds	587,612
City Loan Funds	247,292
	<u>\$ 5,629,994</u>

**Jefferson County Industrial Development Agency  
Net Assets**

	<b>Years Ended Seeptember 30,</b>	
	<b>2011</b>	<b>2012</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,483,511	\$ 5,075,658
Loans receivable	3,533,666	4,508,539
Capital lease receivable, current	915,437	943,468
Capital lease receivable, non current	1,023,241	80,015
Other receivables	126,112	458,055
Capital assets, net of depreciation	939,184	791,476
Other assets		343
Total Assets	12,021,151	11,857,554
<b>Liabilities</b>		
Current liabilities	1,004,985	1,152,644
Long-term liabilities	1,234,458	290,236
Total Liabilities	2,239,443	1,442,880
<b>Net Assets</b>		
Invested in capital assets net of related debt	789,184	641,476
Restricted	5,594,097	5,629,994
Unrestricted	3,398,427	4,143,204
Total Net Assets	\$ 9,781,708	\$ 10,414,674

Refer to the Statement of Nets Assets in the basic financial statements (page 13) for more detail.



***Statement of Revenues, Expenses, and Changes in Nets Assets***

The Agency's main revenue comes from fees generated through the issuance of PILOTs, underwriting and loan administrative fees, and interest earned on loan program receivables. Interest and late charges earned on the loan programs during this fiscal period was \$163,377. Other revenue is generated through grants for the various projects the JCIDA is administering. Grant income consisted of government grants passed through JCIDA.

Operating expenses typically relate to the various projects the JCIDA is working on (other grant projects). The main operating expense is the salary and benefit expense.

The major revenue and expense items for year ended September 30, 2012 relate to normal program operations.

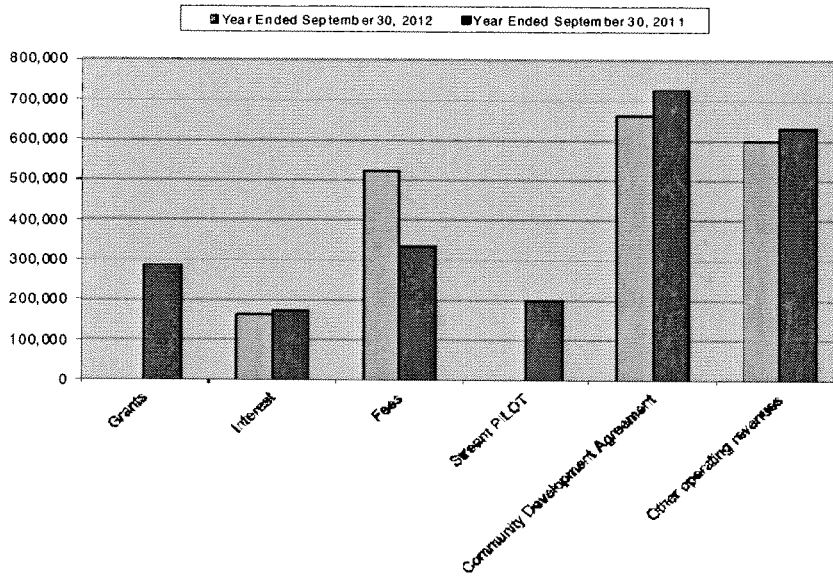
The JCIDA's net asset increase (excess revenue) for 2012 was \$632,966, which was higher than originally budgeted. Total Net Assets at year-end was \$10,414,674. Refer to Budgetary Highlights on page 11 for more details.

**Jefferson County Industrial Development Agency  
Revenues, Expenses, and Changes in Net Assets**

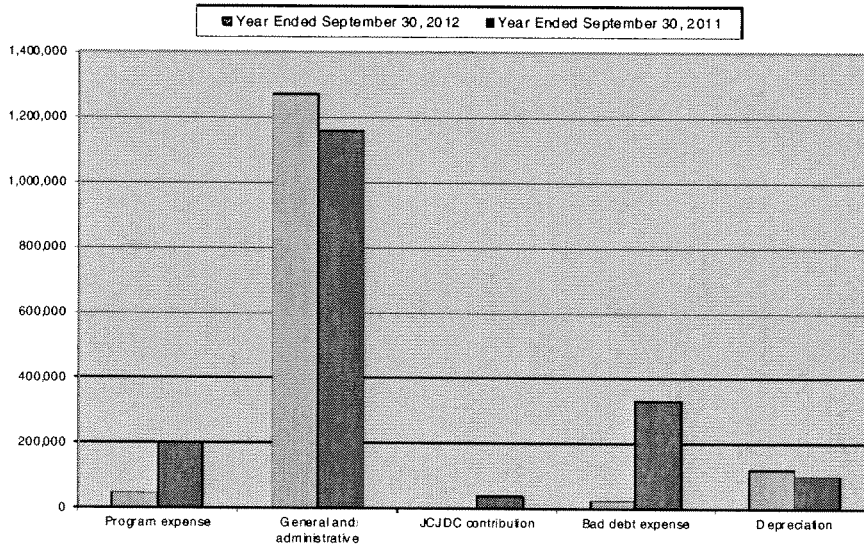
	<b>For Years Ended September 30</b>	
	<b>2011</b>	<b>2012</b>
Operating Revenues		
Bond issue and administrative fees	\$ 332,089	\$ 523,121
Interest on loans receivable	170,737	162,380
Grant income	286,553	-
Stream PILOT	200,000	-
Community Development Agreement	725,915	660,851
Other operating revenues	631,626	598,490
Total Operating Revenue	<u>2,346,920</u>	<u>1,944,842</u>
Operating Expenses		
Program expense	201,553	46,080
General and administrative	1,158,597	1,271,184
JCJDC contribution	37,080	-
Bad debt expense/allowance adjustment	332,111	24,820
Depreciation	100,346	120,081
Total Operating Expenses	<u>1,829,687</u>	<u>1,462,165</u>
Income from Operations	<u>517,233</u>	<u>482,677</u>
Nonoperating Revenues (expense)	<u>(492,166)</u>	<u>150,289</u>
Changes in Net Assets	25,067	632,966
Net Assets, beginning of year	<u>9,756,641</u>	<u>9,781,708</u>
Net Assets, end of year	<u>\$ 9,781,708</u>	<u>\$ 10,414,674</u>

Refer to the Statement of Revenues, Expenses, and Changes in Net Assets in the basic financial statements (page 14) for more detail.

### Operating Revenue



### Operating Expenses



## **Overview of the Year's Projects**

### ***Stream International, Inc***

The JCIDA negotiated with Stream International, Inc. ("Stream") a subsidiary of Solectron to bring an outgoing call center to Jefferson County. In August 2002, JCIDA along with state and local entities successfully recruited this company. The company has created over 800 new jobs. The incentive package was over \$16,000,000 in grants, tax credits and reduced energy costs.

Also, JCIDA borrowed \$500,000 during the year ended September 30, 2002 to purchase the Woolworth building in downtown Watertown so Stream can operate out of this facility. The money was borrowed from the Watertown Local Development Corporation (Trust), and will be repaid through PILOT payments received from Stream beginning in fiscal September 30, 2003. The Trust took a second mortgage on the facility. As of September 30, 2011, the loan was paid in full.

### ***Additionally***

During 2003, the JCIDA borrowed \$7,649,885 from M&T Bank in order to renovate the Woolworth building for Stream. This loan will be repaid through lease payments collected by the JCIDA from Stream. The loan and lease are both 10 years. This loan is secured by a first mortgage on the building and a \$511,741 irrevocable letter of credit from Stream. Further, Stream will guaranty the lease, and the Local Development Corporation of the City of Watertown (Trust) is a guarantor of the loan. The JCIDA board felt the risks associated with this deal was worth recruiting a 700-seat call center to a community that has double-digit unemployment. Stream is a reputable company, and the renovated building is state of the art. As of September 30, 2012, the balance due on this loan is \$1,023,482.

The JCIDA was also awarded a \$948,500 grant/loan from the Industrial Access Program by the State of New York. This money was used to build a road to expand the JCIDA's current Industrial Park by 96 acres. The JCIDA will repay 40% of the grant or \$379,400. This will be due within 5 years after the project is complete and approved by New York State, and the funds will come from the sale of the land. The project was completed in the first quarter 2005, however, it has not been approved by New York State at year ended September 30, 2012. Included in long-term liabilities for the year ended September 30, 2012 is \$180,160 due to New York State for this project.

In May of 2005, as the result of a PILOT agreement with Fort Drum Mountain Homes LLC, JCIDA is to receive a PILOT fee of \$125,000 for four years commencing May 2005. A Phase II agreement was entered into June 1, 2008, JCIDA will receive a PILOT fee of \$100,902 for 2008 through June 1, 2012. JCIDA will receive a Phase III PILOT fee of \$315,923 through October 1, 2015.

### **Budgetary Highlights**

For the year ended 9/30/12 the most significant impact on revenue is an increase in Community Development Funds due to the Phase III. On the expense side, Airport development has not started due to infrastructure issues.

	<b>Budget</b>	<b>Actual</b>	<b>Variation</b>
<b>Revenue</b>			
Application Fees	\$ 15,000	\$ 13,965	\$ (1,035)
PILOT Fees	173,902	305,339	131,437
Loan Program Fees	55,000	68,590	13,590
Grant Income	0	55,120	55,120
Land Sales	99,000	(8,677)	(107,677)
Interest Income	3,000	5,372	2,372
Late Payment Penalty	1,500	996	(504)
Stream Maintenance fee	11,500	29,651	18,151
Other operating Revenue	800	11,299	10,499
Community Develop Agreement	344,928	660,851	315,923
Interest from Loan Receivable	161,800	139,158	(22,642)
Stream Interest/Grants	70,000	46,368	(23,632)
Program O/H Recovery	837,563	749,641	(87,922)
<b>Total Revenue</b>	<b>1,773,993</b>	<b>2,077,673</b>	<b>303,680</b>
<b>Expenses</b>			
Salary & Benefits	1,154,858	1,041,800	(113,058)
Office Expense	75,083	139,708	64,625
Consultants	2,000	0	(2,000)
Insurance Expense	13,944	14,093	149
Legal Expenses	57,000	53,873	(3,127)
Professional Fees	11,000	8,800	(2,200)
Stream Building Maintenance	0	18,152	18,152
Corporate Park	8,700	5,988	(2,712)
Program Expenses	60,800	79,437	18,637
City/County Parking Lot	20,000	20,397	397
Building Depreciation	35,000	120,082	85,082
Interest Expense	70,000	46,368	(23,632)
Bad Debt Expense	0	24,820	24,820
Other Grants	0	55,120	55,120
Miscellaneous Expenses	1,000	2,741	1,741
<b>Total Expense</b>	<b>1,509,385</b>	<b>1,631,379</b>	<b>121,994</b>
<b>Net Income</b>	<b>\$ 264,608</b>	<b>\$ 446,294</b>	<b>\$ 181,686</b>

## **Economic Factors and Future Outlook**

During fiscal year 10/1/12 through 9/30/13 we anticipate participating in major improvements at the Watertown Airport, further development of the Industrial Park with the possibility of a major corporation building a large warehouse, and completion of several loans pending at year end.

We will also be devoting significant resources to addressing shortages in work force, day care, and renewable energy and the housing shortage. All of our efforts in these areas will be in cooperation with other agencies.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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COMBINED STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012

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**ASSETS:**

*Current Assets:*

Cash and cash equivalents	\$ 3,237,146
Loans receivable	861,979
Other receivables	373,368
Prepaid expense	343
Capital lease receivable - current portion (Note 13)	943,468
Notes receivable - current portion (Note 4)	996
Total Current Assets	<u>5,417,300</u>

*Restricted Assets:*

Cash and cash equivalents (Note 8)	1,602,658
Cash with fiscal agent	235,854
PILOT monies receivable	53,630
Loans receivable - net of allowance of \$73,337 (Note 4)	<u>3,646,560</u>
Total Restricted Assets	<u>5,538,702</u>

*Noncurrent Assets:*

Notes receivable - less current portion (Note 4)	30,061
Capital lease receivable - less current portion (Note 13)	80,015
Capital assets (Note 10)	<u>791,476</u>
Total Noncurrent Assets	<u>901,552</u>

Total Assets \$ 11,857,554

The accompanying notes are an integral part of these financial statements.

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**LIABILITIES:***Current Liabilities:*

Accounts payable	\$ 109,506
Deferred revenue - current portion (Note 4)	996
Long-term debt - current portion (Note 12)	943,468
Other current liabilities	40,190
Total Current Liabilities	<u>1,094,160</u>

*Current Liabilities Payable From Restricted Assets:*

Interest payable - HUD	4,854
Due to other governments (Note 9)	53,630
Total Current Liabilities Payable From Restricted Assets	<u>58,484</u>

*Noncurrent Liabilities:*

Deferred revenue - less current portion (Note 4)	30,061
Long-term debt - less current portion (Note 12)	260,175
Total Noncurrent Liabilities	<u>290,236</u>

Total Liabilities	<u>1,442,880</u>
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**NET ASSETS:**

Investment in capital assets, net of related debt	641,476
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## Restricted for: (expendable)

Revolving loan program	4,795,090
Microenterprise loan program	587,612
City loan program	247,292
Total restricted net assets	<u>5,629,994</u>

Unrestricted	<u>4,143,204</u>
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Total Net Assets	<u>\$ 10,414,674</u>
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JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR YEAR ENDED SEPTEMBER 30, 2012

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**REVENUES:***Operating Revenues:*

Bond issue and administrative fees	\$ 523,121
Interest from loans receivable	162,380
Community Development Agreement	660,851
Overhead recovery	559,964
Lease income	5,920
Other operating revenues	<u>32,606</u>
 Total Operating Revenues	 <u>1,944,842</u>

**EXPENSES:***Operating Expenses:*

Program expense	46,080
Bad debt expense/allowance adjustment	24,820
Salary expense	1,059,011
Legal fees	62,377
Office expense	93,092
Professional fees	9,807
Insurance expense	14,093
Depreciation expense	120,081
Other operating expenses	<u>32,804</u>

Total Operating Expenses 1,462,165

Operating Income 482,677

**NON-OPERATING REVENUES (EXPENSES):**

Interest income	8,966
Grant income	404,120
Grant expended	(254,120)
Capital lease interest	46,369
Loss on sale of capital assets	(8,677)
Interest expense	<u>(46,369)</u>
Total Non-Operating Revenues (Expenses)	<u>150,289</u>

Increase in Net Assets 632,966

Net Assets-beginning of year 9,781,708

Net Assets-end of year \$ 10,414,674

The accompanying notes are an integral part of these financial statements.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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STATEMENT OF CASH FLOWS  
FOR YEAR ENDED SEPTEMBER 30, 2012

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CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from bond issue and administrative fees	\$ 370,891
Cash received from interest on loans receivable	162,380
Cash received from late payment penalties	997
Cash received from loans	630,447
Cash received from lease income	5,920
Cash received from Community Development Agreement	660,851
Cash received from maintenance reserve	29,130
Cash received from interest on revolving loan funds	4,913
Cash received from other operating sources	1,958
Cash received for overhead recovery	554,143
Cash payments to HUD for interest on revolving loan funds	(6,309)
Cash payments for salary	(1,059,011)
Cash payments for supplies of goods and services	(304,624)
Cash payment to fiscal agent	(235,854)
Issuance of new loans	(1,662,108)
Cash payments for projects	(46,080)
Net cash used by operating activities	<u>(892,356)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Grants paid in excess of grants received	<u>220,733</u>
Net cash provided by noncapital financing activities	<u>220,733</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES

Additions to capital assets	(6,050)
Sale of capital assets	<u>25,000</u>
Net cash provided by capital and related financing activities	<u>\$ 18,950</u>

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<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash received from interest	\$ 8,966
Net cash provided by investing activities	<u>8,966</u>
Net decrease in cash	(643,707)
Cash and cash equivalents, beginning of year	<u>5,483,511</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,839,804</u></u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>	
Cash and cash equivalents	\$ 3,237,146
Restricted cash and cash equivalents	1,602,658
Total cash and cash equivalents	<u><u>\$ 4,839,804</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 482,677
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	120,081
Bad debt expense/allowance adjustment	24,820
(Increase) decrease in:	
Cash with fiscal agent	(235,854)
Loans receivable	(1,031,661)
Other receivables	(233,319)
Prepaid expense	(343)
Increase (decrease) in:	
Accounts payable	(25,088)
Interest payable	(1,395)
Other liabilities	7,726
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (892,356)</u></u>
Noncash capital and financing activities:	
Decrease of capital lease receivable and related long-term debt	<u><u>\$915,195</u></u>

The accompanying notes are an integral part of these financial statements.

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JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**Note 1 – Summary of Significant Accounting Policies:**

***Organization Description***

The Jefferson County Industrial Development Agency (**Agency**) is a public benefit corporation, which was created by Article 18A of the General Municipal Law to actively promote, attract, encourage and develop economically sound commerce and industry for the purpose of preventing unemployment and economic deterioration in Jefferson County. The Agency is exempt from federal, state and local income taxes. The Agency, although established by Jefferson County, is a separate entity and operates independently of Jefferson County. The U.S. Department of Housing and Urban Development (**HUD**) is the cognizant agency.

The Jefferson County Local Development Corporation (JCLDC) was started to develop and cultivate a strong economic environment, which supports businesses and nurtures growth and new investment in the County. The Organization was started October 1, 2009. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since both Organizations shared the same Board.

The Jefferson County Civic Facility Development Corporation (JCCFDC) was started to perform essential governmental functions including activities associated with job creation, and promotion of community and economic activities within and around the County, and issue certain bonds on behalf of the County. The Organization was approved by the Jefferson County Board of Legislators on April 5, 2011. The financial activity of the Organization is combined with the financial activity of Jefferson County Industrial Development Agency since both Organizations shared the same Board.

***Measurement Focus, Basis of Accounting and Financial Statements Presentation***

The Agency's combined 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. For the fiscal year ended September 30, 2012, the Agency adopted GASB Statement No. 34. GASB Statement No. 34 mandates Government-wide financial statements of net assets and activities, which are represented on the measurement and accrual basis of accounting. It also requires that certain fixed assets be recorded at cost less accumulated depreciation.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
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Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the Agency has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989 that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

***Capital Assets and Depreciation***

Capital assets acquired by the Agency are recorded at cost. For financial reporting purposes, the cost of capital assets is depreciated over the estimated useful lives as follows:

	<b>Years</b>
Equipment	5 to 10
Building	10

Repairs and maintenance are charged to expense, as incurred. Expenditures, which substantially increase the useful lives of the respective assets, are capitalized and depreciated over their useful lives. When an asset is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

***Reporting Entity***

As defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Components Units*, the Agency is financially accountable to Jefferson County and is considered a component unit of Jefferson County. Jefferson County Local Development Corporation and Jefferson County Civic Facility Corporation are financially accountable to Jefferson County Industrial Development Agency and are considered component units of Jefferson County Industrial Development Agency.

***Cash and Cash Equivalents***

For the purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Revenues and Expenses***

Revenues and expenses are distinguished between operating and nonoperating 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 issuance and PILOT's and loan services.

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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 program expenses under operating expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

***Date of Management's Review***

Management has evaluated subsequent events through November 29, 2012, the date which the financial statements were available to be issued.

**Note 2 – Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks:**

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's investments policies are included in their *Investment Policy Guidelines and Procedures*. The Agency's monies must be deposited in 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 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.

The Agency's aggregate bank balances (disclosed in the financial statements) included balances not covered by depository insurance at year-end, are collateralized as follows:

Uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name		3,665,127

Deposits at year-end were fully collateralized.

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 a foreign currency, and is not exposed to foreign currency risk.

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NOTES TO FINANCIAL STATEMENTS  
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**Note 3 – Loans Receivable:**

At September 30, 2012 loans receivable consisted of the following:

Revolving Loan Program	\$ 3,148,507
Microenterprise Loan Program	445,018
City Loan Program	<u>53,035</u>
Total	<u>\$ 3,646,560</u>

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***Revolving Loan Program***

The Agency has established a revolving loan program offering low interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest.

The Agency has established a reserve for bad loans in order to provide a more fair presentation of its loans receivable. The allowance of \$64,255 at September 30, 2012 was based on the Agency's best estimate.

The following is a schedule of the outstanding loans receivable at September 30, 2012:

Alteri's Bakery, Inc.	\$ 46,097
Benchmark Family Services	119,484
CITEC	7,742
Peter S. Curtis - consolidated	96,756
Florelle Tissue Corp.	350,000
J. Scott Corporation	222,145
Knowlton Specialty Papers	151,536
LCO Destiny LLC	193,189
Meadowbrook Terrace	250,000
Metro Paper Industries	165,627
MLR, LLC	92,557
MLR, LLC	211,676
Morris Hatchery	130,063
North Country Children's Clinic	136,963
North Country Children's Clinic	61,072
North American Tapes, LLC	129,221
Riverview Plaza, LLC	62,930
Roth Industries, Inc.	198,822
Roth Industries, Inc.	40,893
Taylor Concrete Products, Inc.	26,252
The Franklin Factory Group	58,318
Wright Bros. LLC	241,343
YMCA	170,076
YMCA	50,000
Total	<u>3,212,762</u>
Less - Allowance for Bad Loans	<u>(64,255)</u>
Total Revolving Loans Receivable	<u>\$ 3,148,507</u>



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NOTES TO FINANCIAL STATEMENTS  
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**Microenterprise Loan Program**

The microenterprise loan program was established to provide small businesses with loans not to exceed \$40,000 to stimulate small business activity through start-up and expansion projects which create and retain job opportunities principally for low to moderate income residents.

The Agency has established a reserve for bad loans in order to provide a more fair presentation of its loans receivable. The allowance of \$9,082 for September 30, 2012 was based on the Agency's best estimate.

Loans receivable at September 30, 2012 are as follows:

Edw. F. Albro d/b/a Snug Harbor Marina	\$ 5,318
BDJKR Properties, LLC	5,138
BDJKR Properties, LLC	11,217
Jamie Bliven d/b/a Duck Stop	21,869
Louise Psarras-Bly	19,656
Café Mira	29,377
Jay Canzonier	46,000
Carthage Family Chiropratic	13,108
Children 1st Daycare	28,345
DePauville Mini Mart	22,324
Fort Drum Storage	28,753
Allen Gonya	8,382
The Hops Spot	21,908
Imprints of NNY	12,075
Jessies Pet Spa	1,818
Lyric Enterprises	29,306
Lyric Enterprises	5,714
Daniel McAloon	27,125
ROBO Spray	13,643
Sackets Harbor Trading Co.	23,301
South Jeff Community Action Corp.	30,000
Taste of Design	34,045
Triple B&A, LLC	15,678
Total	<u>454,100</u>
Less - Allowance for Bad Loans	<u>(9,082)</u>
Total Microenterprise Loans Receivable	<u>\$ 445,018</u>

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**City Loan Program**

The City Loan Program was established to provide working capital for Knowlton Technologies LLC and the subsequent creation of a revolving loan fund, which will be used to provide loans for the support of economic development in the City of Watertown.

Loan receivable at September 30, 2012 is as follows:

Knowlton Technologies LLC	<u>\$ 53,035</u>
Total	<u><u>\$ 53,035</u></u>

**Note 4 – Notes Receivable/Deferred Revenue:**

Notes receivable/Deferred revenue consisted of the following at September 30, 2012:

Note due from Kenneth Rogers - monthly payments of \$314.91, including interest at 9%, due 12/1/27	\$ 31,057
Less - current portion	<u>(996)</u>
Non-current portion	<u><u>\$ 30,061</u></u>

This note was written-off in prior year. Income will be recognized as payments are received on this note.

**Note 5 – Land:**

The Agency has purchased land in order to establish an Industrial Park to encourage new businesses to settle in Jefferson County. Land was sold to various businesses throughout the years, and at September 30, 2012 the Agency holds approximately 52 acres at an approximate cost of \$11,270 per acre. The Agency purchased additional land during the year ended September 30, 2007 to establish another Industrial Park. The additional land is approximately 34 acres at a cost of \$739 per acre. See Capital Assets – Footnote #10 for details.

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**Note 6 – Commitments and Contingencies:**

***PILOT Program***

The Agency is also a party to agreements allowing a payment in lieu of tax (**PILOT**) for certain properties. The Agency invoices and collects these taxes and then issues its own check to pay the taxing jurisdiction. This activity is not reflected in the financial statements.

***Industrial Revenue Bond and Note Transactions***

Certain industrial development revenue bonds and notes issued by the Agency are secured by property, which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State.

The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and noteholders and funds arising there from 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 and notes.

***Loan Commitments***

At September 30, 2012, the Agency has commitments for loans to Jai Ganesh, Inc for \$133,717, BICC Brothers of NNY d/b/a Jake's Wayback Burgers for \$40,000, Ginger Anson d/b/a Apple A Day Care for \$20,000, Amy Black d/b/a Little Bud's Early Learning Center for \$20,000, Hi - Lite Markings for \$250,000, Benchmark Family Services for \$235,854 and Staie on the Seaway for \$20,000. These loans have not been completed as of September 30, 2012.

***Lawsuits***

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency's Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency. Additionally, Agency management believes that the Agency's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

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NOTES TO FINANCIAL STATEMENTS  
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**Federal and State Grant Programs**

The Agency participates in Federal and State grant programs. These programs are audited by the Agency's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowance is expected as a result of these audits, however, these programs are subject to further examination by the grantors. Expenditures, which may be disallowed, if any, by the granting agencies cannot be determined at this time. The Agency expects such amounts, if any, to be immaterial.

As of September 30, 2012, in the opinion of the Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

**Note 7 – Related Party Agreements/Transactions:**

In accordance with various agreements, the Agency has related party transactions detailed as follows as of September 30, 2012:

Related Party Organization	Accounts Receivable	Accounts Payable/ Accrued Liabilities	Unrestricted Revenues	Expenses
<b>9/30/12</b>				
WCBI	\$ 15,969	\$ -	\$ -	\$ -
JCJDC	-	-	130,012	-
WICLDC	33,838	-	41,666	-
WLDC	20,056	-	6,000	-
JCADC	10,028	-	6,000	-
Total	<u>\$ 79,891</u>	<u>\$ -</u>	<u>\$ 183,678</u>	<u>\$ -</u>

An agreement executed yearly between the Agency and the Jefferson County Job Development Corporation (**JCJDC**) exists where the JCJDC agrees to pay the Organization for administrative/staff support. The contribution paid to the Agency was \$130,012 for the year ended September 30, 2012. The agreement was terminated on July 31, 2012.

Another agreement executed yearly between the Agency and the Watertown Industrial Center Local Development Corporation (**WICLDC**) exists where WICLDC agrees to pay the Agency for administrative support. The contribution paid to the Agency was \$41,666 for the year ended September 30, 2012. The agreement was terminated on July 31, 2012.

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Another agreement executed yearly between the Agency and Jefferson County Agricultural Development Corporation (**JCADC**) exists where JCADC agrees to pay for administrative support. The contribution paid to the Agency was \$6,000 for the year ended September 30, 2012. The agreement was terminated on July 31, 2012.

Another agreement executed yearly between the Agency and Watertown Local Development Corporation (**WLDC**) exists where WLDC agrees to pay for administrative support. The contribution paid to the Agency was \$6,000 for the year ended September 30, 2012. The agreement was terminated on July 31, 2012.

**Note 8 – Restricted Cash and Cash Equivalents:**

Restricted cash, which is invested in interest-bearing accounts, consisted of the following at September 30, 2012:

Revolving Loan Fund	\$ 1,266,619
Microenterprise Loan Fund	142,634
City Loan Fund	<u>193,405</u>
	<u>\$ 1,602,658</u>

**Note 9 – Due to Other Governments:**

Due to other governments are PILOT amounts due to the taxing jurisdictions. Future PILOT payments for the year ended September 30, 2012 are \$53,630.

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NOTES TO FINANCIAL STATEMENTS  
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**Note 10 – Capital Assets:**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-Depreciable Assets:				
Land and improvements	\$ 639,814	\$ -	\$ (33,677)	\$ 606,137
Depreciable Assets:				
Equipment	98,678	6,050	-	104,728
Building	724,125	-	-	724,125
	<u>1,462,617</u>	<u>6,050</u>	<u>(33,677)</u>	<u>1,434,990</u>
Total Capital Assets	1,462,617	6,050	(33,677)	1,434,990
Less - accumulated depreciation				
	<u>523,433</u>	<u>120,081</u>	<u>-</u>	<u>643,514</u>
Total Capital Assets - Net of Depreciation	<u>\$ 939,184</u>	<u>\$ (114,031)</u>	<u>\$ (33,677)</u>	<u>\$ 791,476</u>

**Note 11 – Memorandum of Understanding:**

The Agency has a memorandum of understanding effective August 1, 2012 with the Watertown Industrial Center Local Development Corporation (WICLDC). The agreement terminated the sublease that WICLDC had with the Agency. A Facility Master Lease Agreement whereby the Agency will assume certain operation and maintenance obligations of WICLDC will be executed. The Facility Master Lease Agreement had not been executed at September 30, 2012. Therefore, the activity for August and September 2012 for Watertown Center for Business and Industry, a project of the Agency, was not included in the September 30, 2012 financial statements of the Agency.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
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**Note 12 – Long-Term Debt:**

The following notes payable were in effect at September 30, 2012:

M&T Bank - secured by \$511,741 standby letter-of-credit, first lien on Stream building and contents, guaranty of the Local Development Corporation of the City of Watertown - due in monthly installments of \$80,121 including interest at 2.9805% at September 30, 2012 - loan has 13 months remaining with a variable interest rate	\$ 1,023,483
New York State Department of Transportation - grant repayment of 40% of Industrial Access project - payments to start one year from project completion - project is not completed at September 30, 2012	<u>180,160</u>
	1,203,643
Less - Current Portion	<u>(943,468)</u>
Long-Term Portion	<u><u>\$ 260,175</u></u>

The future principal payments on the notes payable as of September 30, 2012 are summarized as follows:

Year Ending September 30	Principal	Interest	Total
2013	\$ 943,468	\$ 17,988	\$ 961,456
2014	80,015	-	80,015
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	<u>180,160</u>	<u>-</u>	<u>180,160</u>
	<u><u>\$ 1,203,643</u></u>	<u><u>\$ 17,988</u></u>	<u><u>\$ 1,221,631</u></u>

Summary of changes in long-term debt:

	10/1/11	Additions	Reductions	9/30/12
Notes payable	<u>\$ 2,118,838</u>	<u>\$ -</u>	<u>\$ (915,195)</u>	<u>\$ 1,203,643</u>

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NOTES TO FINANCIAL STATEMENTS  
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**Note 13 – Capital Lease Receivable:**

The Agency has entered into a lease agreement with Stream New York, Inc. to lease a facility and to advance working capital to Stream New York, Inc. A loan from M&T Bank was used to finance the project (see Note 12). Principal payments will be based on a ten year amortization period and interest will be variable. Monthly lease payments will be computed to equal the monthly debt service requirements for the M&T loan. Stream New York, Inc. has the option to purchase the facility at any time for the remaining balance of the related loan. The lease is recorded as a capital lease because Stream New York, Inc. is the owner of the property for tax purposes and will own the facility outright at the completion of the lease.

Future minimum capital lease payments to be received from Stream New York, Inc. are as follows:

<b>Year Ending September 30</b>	
2013	\$ 943,468
2014	<u>80,015</u>
	<u>\$ 1,023,483</u>

**Note 14 – Leases:**

The Agency has assumed the lease for office space with Watertown Industrial Center Local Development Corporation, effective October 1, 2011. The lease term commenced July 1, 2010 and terminated on July 31, 2012. The lease calls for monthly base rent payments and additional rent payments of \$377.98 a month represented the Agency's share of real estate taxes, heating costs, electricity, water and maintenance. The Agency's rent expense for the year ended September 30, 2012 was \$ -0-.

**Note 15 – Restricted Assets:**

**Loan Programs:**

The Revolving loan program, the Microenterprise loan program, and the City loan program were established with grants from U.S. Department of Housing and Urban Development. The restricted assets are used to improve economic development in Jefferson County.



JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
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**Note 16 – Risk Management:**

The Agency has the responsibility for making and carrying out decisions that will minimize the adverse effects of accidental losses that involve the Agency's assets. Accordingly, commercial insurance coverage is obtained to include general liability, property and casualty and certain other risks. The amounts of settlements during each of the past three fiscal years have not exceeded insurance coverage.

**Note 17 – Pension Plan:**

The Organization participates in the New York State and Local Employees' Retirement System (**System**) through the County of Jefferson. This is a cost-sharing multiple public employer retirement system. Obligations of employers and employee to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (**NYSRSSL**). The System offers a wide range of plans and benefits, which are related to years of service and final average years of service and final average salary. Death and disability benefits generally vest after ten years of accredited service.

The NYSRSSL provides that all participating employees in the System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the NYS and Local Retirement System, Gov. AE Smith State Office Building, Albany, NY 12244. The System is noncontributory except for employees who joined the Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. Employee contributions are deducted from employees' paychecks and are sent by the employer to the System.

Nearly all employees are eligible for membership. All employees employed in a full-time position, who commenced employment after June 30, 1976, are mandatory members.

The Organization is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years were:

	<b>ERS</b>
2012	\$ 106,877
2011	68,960
2010	36,052

The Organization's contribution made to the System was equal to 100% of the contributions required for the year.

**SUPPLEMENTAL SCHEDULES  
AND ADDITIONAL INFORMATION**

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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COMBINING STATEMENT OF FUND NET ASSETS  
JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY AND COMPONENT UNITS  
SEPTEMBER 30, 2012

<b>ASSETS:</b>	<b>JCIDA</b>	<b>Component Units</b>	<b>Eliminations</b>	<b>TOTAL</b>
<i>Current Assets:</i>				
Cash and cash equivalents *	\$ 1,188,241	\$ 2,043,189	\$ -	\$ 3,231,430 *
Interfund receivables *	7,370	-	-	7,370 *
Loans receivable	-	861,979	-	861,979
Other receivables	274,368	99,000	-	373,368
Prepaid expense	343	-	-	343
Capital lease receivable - current portion (Note 13)	943,468	-	-	943,468
Notes receivable - current portion (Note 4)	996	-	-	996
Total Current Assets	<u>2,414,786</u>	<u>3,004,168</u>	<u>-</u>	<u>5,418,954 *</u>
<i>Restricted Assets:</i>				
Cash and cash equivalents (Note 8)	1,602,658	-	-	1,602,658
Cash with fiscal agent	235,854	-	-	235,854
Interfund receivables *	150,000	-	-	150,000 *
PILOT monies receivable	53,630	-	-	53,630
Loans receivable-net of allowance of \$73,337 (Note 3)	3,646,560	-	-	3,646,560
Total Restricted Assets	<u>5,688,702</u>	<u>-</u>	<u>-</u>	<u>5,688,702</u>
<i>Noncurrent Assets:</i>				
Notes receivable - less current portion (Note 4)	30,061	-	-	30,061
Capital lease receivable-less current portion (Note 13)	80,015	-	-	80,015
Due from JCLDC	3,456,912	-	(3,456,912)	-
Capital assets (Note 10)	791,476	-	-	791,476
Total Noncurrent Assets	<u>4,358,464</u>	<u>-</u>	<u>(3,456,912)</u>	<u>901,552</u>
Total Assets	<u>\$ 12,461,952</u>	<u>\$ 3,004,168</u>	<u>\$ (3,456,912)</u>	<u>\$ 12,009,208 *</u>
<b>LIABILITIES:</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ 40,206	\$ 69,300	\$ -	\$ 109,506
Interfund payables*	151,654	-	-	151,654 *
Deferred revenue - current portion (Note 4)	996	-	-	996
Long term debt - current portion (Note 12)	943,468	-	-	943,468
Other current liabilities	40,190	-	-	40,190
Total Current Liabilities	<u>1,176,514</u>	<u>69,300</u>	<u>-</u>	<u>1,245,814 *</u>
<i>Current Liabilities Payable From Restricted Assets:</i>				
Interest payable - HUD	4,854	-	-	4,854
Due to other governments (Note 9)	53,630	-	-	53,630
Total Current Liabilities Payable From Restricted Assets	<u>58,484</u>	<u>-</u>	<u>-</u>	<u>58,484</u>
<i>Noncurrent Liabilities:</i>				
Deferred revenue - less current portion (Note 4)	30,061	-	-	30,061
Due to JCIDA	-	3,456,912	(3,456,912)	-
Long-term debt - less current portion (Note 12)	260,175	-	-	260,175
Total Noncurrent Liabilities	<u>290,236</u>	<u>3,456,912</u>	<u>(3,456,912)</u>	<u>290,236</u>
Total Liabilities	<u>1,525,234</u>	<u>3,526,212</u>	<u>(3,456,912)</u>	<u>1,594,534 *</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related debt Restricted for: (expendable)	641,476	-	-	641,476
Revolving loan program	4,795,090	-	-	4,795,090
Microenterprise loan program	587,612	-	-	587,612
City loan program	247,292	-	-	247,292
Total restricted net assets	<u>5,629,994</u>	<u>-</u>	<u>-</u>	<u>5,629,994</u>
Unrestricted	4,665,248	(522,044)	-	4,143,204
Total Net Assets	<u>\$ 10,936,718</u>	<u>\$ (522,044)</u>	<u>\$ -</u>	<u>\$ 10,414,674</u>

\* Amounts reported for the audited financial statements compared to the above statement are different because:

Cash	\$ 5,716	Interfund receivables	\$ 150,000
Interfund receivables	7,370	Interfund payables	150,000
Interfund payables	1,654		

See paragraph on supplementary schedules included in auditor's report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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COMBINING STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY AND COMPONENT UNITS  
FOR YEAR ENDED SEPTEMBER 30, 2012

	JCIDA	Component Units	Eliminations	Total
<b>Revenues:</b>				
<i>Operating Revenues:</i>				
Bond issue and administrative fees*	\$ 581,898	\$ 9,813	\$ -	\$ 591,711 *
Interest from loans receivable	139,158	23,222	-	162,380
Community Development Agreement	660,851	-	-	660,851
Overhead recovery	559,964	-	-	559,964
Lease income	5,920	-	-	5,920
Other operating revenues	31,698	908	-	32,606
Total Operating Revenues	<u>1,979,489</u>	<u>33,943</u>	<u>-</u>	<u>2,013,432 *</u>
<b>Expenses:</b>				
<i>Operating Expenses:</i>				
Program expense *	114,670	-	-	114,670 *
Bad debt expense/allowance adjustment	24,820	-	-	24,820
Salary expense	1,059,011	-	-	1,059,011
Legal fees	62,377	-	-	62,377
Office expense	93,092	-	-	93,092
Professional fees	9,600	207	-	9,807
Insurance expense	14,093	-	-	14,093
Depreciation expense	120,081	-	-	120,081
Other operating expenses	32,147	657	-	32,804
Total Operating Expenses	<u>1,529,891</u>	<u>864</u>	<u>-</u>	<u>1,530,755 *</u>
Operating Income	<u>449,598</u>	<u>33,079</u>	<u>-</u>	<u>482,677</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest income	5,372	3,594	-	8,966
Grant income	55,120	349,000	-	404,120
Grant expended	(55,120)	(199,000)	-	(254,120)
Capital lease interest	46,369	-	-	46,369
Loss on sale of capital assets	(8,677)	-	-	(8,677)
Interest expense	(46,369)	-	-	(46,369)
Total Non-operating Revenues (Expenses)	<u>(3,305)</u>	<u>153,594</u>	<u>-</u>	<u>150,289</u>
Increase in Net Assets	446,293	186,673	-	632,966
Net Assets - beginning of year	10,490,425	(708,717)	-	9,781,708
Net Assets - end of year	<u>\$ 10,936,718</u>	<u>\$ (522,044)</u>	<u>\$ -</u>	<u>\$10,414,674</u>

\* Amounts reported for the audited financial statements compared to the above statement are different because:

Interfund fees	\$ 68,590
Interfund program expenses	68,590

See paragraph on supplementary schedules included in auditor's report.

**Supplemental Schedule SS-3**  
**JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**A COMPONENT UNIT OF JEFFERSON COUNTY**

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**STATEMENT OF FUND NET ASSETS**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2012**

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<b>ASSETS:</b>	<b>JCLDC</b>	<b>JCCFDC</b>	<b>TOTAL</b>
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 2,042,689	\$ 500	\$ 2,043,189
Loans receivable	861,979	-	861,979
Other receivables	99,000	-	99,000
Total Current Assets	<u>3,003,668</u>	<u>500</u>	<u>3,004,168</u>
Total Assets	<u>\$ 3,003,668</u>	<u>\$ 500</u>	<u>\$ 3,004,168 *</u>
<b>LIABILITIES:</b>			
<i>Current Liabilities:</i>			
Accounts payable	<u>\$ 69,300</u>	<u>\$ -</u>	<u>\$ 69,300 *</u>
Total Current Liabilities	<u>69,300</u>	<u>-</u>	<u>69,300 *</u>
<i>Noncurrent Liabilities:</i>			
Due to JCIDA	<u>3,456,912</u>	<u>-</u>	<u>3,456,912</u>
Total Noncurrent Liabilities	<u>3,456,912</u>	<u>-</u>	<u>3,456,912</u>
Total Liabilities	<u>3,526,212</u>	<u>-</u>	<u>3,526,212 *</u>
<b>NET ASSETS:</b>			
Unrestricted	<u>(522,544)</u>	<u>500</u>	<u>(522,044)</u>
Total Net Assets	<u>\$ (522,544)</u>	<u>\$ 500</u>	<u>\$ (522,044)</u>

See paragraph on supplementary schedules included in auditor's report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
COMPONENT UNITS  
FOR YEAR ENDED SEPTEMBER 30, 2012

	JCLDC	JCCFDC	Total
<b>Revenues:</b>			
<i>Operating Revenues:</i>			
Bond issue and administrative fees*	\$ 9,313	\$ 500	\$ 9,813
Interest from loans receivable	23,222	-	23,222
Other operating revenues	908	-	908
Total Operating Revenues	<u>33,443</u>	<u>500</u>	<u>33,943</u>
<b>Expenses:</b>			
<i>Operating Expenses:</i>			
Professional fees	207	-	207
Other operating expenses	657	-	657
Total Operating Expenses	<u>864</u>	<u>-</u>	<u>864</u>
Operating Income	<u>32,579</u>	<u>500</u>	<u>33,079</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	3,594	-	3,594
Grant income	349,000	-	349,000
Grant expended	(199,000)	-	(199,000)
Total Non-operating Revenues (Expenses)	<u>153,594</u>	<u>-</u>	<u>153,594</u>
Increase in Net Assets	186,173	500	186,673
Net Assets - beginning of year	(708,717)	-	(708,717)
Net Assets - end of year	<u>\$ (522,544)</u>	<u>\$ 500</u>	<u>\$ (522,044)</u>

See paragraph on supplementary schedules included in auditor's report.

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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STATEMENT OF FUND NET ASSETS  
SEPTEMBER 30, 2012

	GENERAL	REVOLVING LOAN PROGRAM
<b>ASSETS:</b>		
<i>Current Assets:</i>		
Cash and cash equivalents *	\$ 1,188,241	\$ -
Interfund receivables *	6,516	-
Other receivables	274,368	-
Prepaid expense	343	-
Capital lease receivable - current portion (Note 13)	943,468	-
Notes receivable - current portion (Note 4)	996	-
Total Current Assets	2,413,932	-
<i>Restricted Assets:</i>		
Cash and cash equivalents (Note 8)	-	1,266,619
Cash with fiscal agent	-	235,854
Interfund receivables *	-	150,000
PILOT monies receivable	53,630	-
Loans receivable-net of allowance of \$73,337 (Note 3)	-	3,148,507
Total Restricted Assets	53,630	4,800,980
<i>Noncurrent Assets:</i>		
Notes receivable - less current portion (Note 4)	30,061	-
Capital lease receivable - less current portion (Note 13)	80,015	-
Due from JCLDC	3,456,912	-
Capital assets (Note 10)	791,476	-
Total Noncurrent Assets	4,358,464	-
Total Assets	\$ 6,826,026	\$ 4,800,980
<b>LIABILITIES:</b>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 39,928	\$ 278
Interfund payables*	150,854	800
Deferred revenue - current portion (Note 4)	996	-
Long term debt - current portion (Note 12)	943,468	-
Other current liabilities	40,190	-
Total Current Liabilities	1,175,436	1,078
<i>Current Liabilities Payable From Restricted Assets:</i>		
Interest payable - HUD	-	4,812
Due to other governments (Note 9)	53,630	-
Total Current Liabilities Payable From Restricted Assets	53,630	4,812
<i>Noncurrent Liabilities:</i>		
Deferred revenue - less current portion (Note 4)	30,061	-
Long-term debt - less current portion (Note 12)	260,175	-
Total Noncurrent Liabilities	290,236	-
Total Liabilities	1,519,302	5,890
<b>NET ASSETS:</b>		
Investment in capital assets, net of related debt	641,476	-
<i>Restricted for: (expendable)</i>		
Revolving loan program	-	4,795,090
Microenterprise loan program	-	-
City loan program	-	-
Total restricted net assets	-	4,795,090
Unrestricted	4,665,248	-
Total Net Assets	\$ 5,306,724	\$ 4,795,090

\* Amounts reported for the audited financial statements compared to the above statement are different because:

Cash	\$ 5,716	Interfund receivables	\$ 150,000
Interfund receivables	7,370	Interfund payables	150,000
Interfund payables	1,654		

See paragraph on supplementary schedules included in auditor's report.

Supplemental Schedule SS-5

MICRO- ENTERPRISE LOAN PROGRAM	CITY LOAN PROGRAM	TOTAL
\$ -	\$ -	\$ 1,188,241 *
-	854	7,370 *
-	-	274,368
-	-	343
-	-	943,468
-	-	996
<u>-</u>	<u>854</u>	<u>2,414,786 *</u>
142,634	193,405	1,602,658
-	-	235,854
-	-	150,000 *
-	-	53,630
<u>445,018</u>	<u>53,035</u>	<u>3,646,560</u>
<u>587,652</u>	<u>246,440</u>	<u>5,688,702</u>
-	-	30,061
-	-	80,015
-	-	3,456,912
-	-	791,476
-	-	4,358,464
<u>\$ 587,652</u>	<u>\$ 247,294</u>	<u>\$ 12,461,952 *</u>
\$ -	\$ -	\$ 40,206
-	-	151,654 *
-	-	996
-	-	943,468
-	-	40,190
<u>-</u>	<u>-</u>	<u>1,176,514 *</u>
40	2	4,854
-	-	53,630
<u>40</u>	<u>2</u>	<u>58,484</u>
-	-	30,061
-	-	260,175
-	-	290,236
<u>40</u>	<u>2</u>	<u>1,525,234 *</u>
-	-	641,476
-	-	4,795,090
587,612	-	587,612
-	247,292	247,292
<u>587,612</u>	<u>247,292</u>	<u>5,629,994</u>
-	-	4,665,248
<u>\$ 587,612</u>	<u>\$ 247,292</u>	<u>\$ 10,936,718</u>



JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

STATEMENT OF FUND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR YEAR ENDED SEPTEMBER 30, 2012

	<b>GENERAL</b>	<b>REVOLVING LOAN PROGRAM</b>
<b>REVENUES:</b>		
<i>Operating Revenues:</i>		
Bond issue and administrative fees*	\$ 581,898	\$ -
Interest from loans receivable	-	118,803
Community Development Agreement	660,851	-
Overhead recovery	559,964	-
Lease income	5,920	-
Other operating revenues	30,702	394
Total Operating Revenues	1,839,335	119,197
<b>EXPENSES:</b>		
<i>Operating Expenses:</i>		
Program expense *	44,538	43,849
Bad debt expense/allowance adjustment	-	7,787
Salary expense	1,059,011	-
Legal fees	53,872	8,407
Office expense	93,092	-
Professional fees	8,800	800
Insurance expense	14,093	-
Depreciation expense	120,081	-
Other operating expenses	32,147	-
Total Operating Expenses	1,425,634	60,843
Operating Income	413,701	58,354
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	5,372	-
Grant income	55,120	-
Grant expended	(55,120)	-
Capital lease interest	46,369	-
Loss on sale of capital assets	(8,677)	-
Interest expense	(46,369)	-
Total Non-operating Revenues (Expenses)	(3,305)	-
Increase (decrease) in Net Assets	410,396	58,354
Net Assets - beginning of year	4,896,328	4,736,736
Net Assets - end of year	\$ 5,306,724	\$ 4,795,090

\* Amounts reported for the audited financial statements compared to the above statement are different because:

Interfund fees	\$ 68,590
Interfund program expenses	68,590

See paragraph on supplementary schedules included in auditor's report.

**Supplemental Schedule SS-6**

<b>MICRO- ENTERPRISE LOAN PROGRAM</b>	<b>CITY LOAN PROGRAM</b>	<b>TOTAL</b>
\$ -	\$ -	\$ 581,898 *
18,484	1,871	139,158
-	-	660,851
-	-	559,964
-	-	5,920
602	-	31,698
<u>19,086</u>	<u>1,871</u>	<u>1,979,489 *</u>
26,265	18	114,670 *
17,033	-	24,820
-	-	1,059,011
98	-	62,377
-	-	93,092
-	-	9,600
-	-	14,093
-	-	120,081
-	-	32,147
<u>43,396</u>	<u>18</u>	<u>1,529,891 *</u>
<u>(24,310)</u>	<u>1,853</u>	<u>449,598</u>
-	-	5,372
-	-	55,120
-	-	(55,120)
-	-	46,369
-	-	(8,677)
-	-	(46,369)
<u>-</u>	<u>-</u>	<u>(3,305)</u>
(24,310)	1,853	446,293
611,922	245,439	10,490,425
<u>\$ 587,612</u>	<u>\$ 247,292</u>	<u>\$ 10,936,718</u>

JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2012

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Federal Grantor/Program	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
Passed through Jefferson County, New York:		
Community Development Block Grant (CDBG)	14.000	\$ 1,387,380
<b>USDA Rural Development</b>		
Rural Business Enterprise Grant	10.769	99,000
Rural Business Enterprise Grant	10.783	55,120
Total expenditures of federal awards		<u>\$ 1,541,500</u>

See paragraph on Supplementary Schedules Included in Auditor's Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

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JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
A COMPONENT UNIT OF JEFFERSON COUNTY

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2012

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**NOTE A - BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activities of Jefferson County Industrial Development Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments and Non-Profit Organizations**. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT:**

The Agency administers revolving Community Development Block Grant loans funded by the U.S. Department of Housing and Urban Development. At September 30, 2012, the loans receivable balances (net of allowance for bad debts) for the programs were as follows:

Revolving Loan Fund	\$ 3,148,507
Microenterprise Loan Fund	445,018
Watertown City Loan Fund	<u>53,035</u>
	<u>\$ 3,646,560</u>

Total new loans awarded were \$1,057,943 as of September 30, 2012. New loans awarded out-of-program income were \$1,057,943 as of September 30, 2012.

Total program income received for each loan fund program as of September 30, 2012 was as follows:

Revolving Loan Fund	\$ 490,161
Microenterprise Loan Fund	80,264
Watertown City Loan Fund	<u>8,391</u>
	<u>\$ 578,816</u>

**POULSEN & PODVIN, CPA, P.C.**

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

**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***

To the Board of Directors  
Jefferson County Industrial Development Agency

We have audited the financial statements of the Jefferson County Industrial Development Agency as of and for the year ended September 30, 2012, and have issued our report thereon dated November 29, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Jefferson County Industrial Development Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jefferson County Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson County Industrial Development Agency's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson County 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 or other matters that are required to be reported under **Government Auditing Standards**.

This report is intended solely for the information and use of management, Board of Directors, management, and others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Poulsen & Podvin, CPA, P.C.*

November 29, 2012

**POULSEN & PODVIN, CPA, P.C.**

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133

To the Board of Directors  
Jefferson County Industrial Development Agency

Compliance

We have audited Jefferson County Industrial Development Agency's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Jefferson County Industrial Development Agency's major federal program for the year ended September 30, 2012. Jefferson County Industrial Development Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Jefferson County Industrial Development Agency's management. Our responsibility is to express an opinion on Jefferson County Industrial Development Agency's compliance based on our audit.

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 in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson County Industrial Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jefferson County Industrial Development Agency's compliance with those requirements.

In our opinion, Jefferson County Industrial Development Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

### Internal Control over Compliance

Management of Jefferson County Industrial Development Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson County Industrial Development Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson County Industrial Development Agency's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Poulsen & Poduin, CPA, P.C.*

November 29, 2012



JEFFERSON COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2012

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***Section I – Summary of Audit Results:***

1. The auditor's report expresses an unqualified opinion on the financial statements of Jefferson County Industrial Development Agency.
2. There were no significant deficiencies related to the audit of the financial statements of Jefferson County Industrial Development Agency's financial statements.
3. No instances of noncompliance material to the financial statements of Jefferson County Industrial Development Agency were disclosed during the audit.
4. There were no significant deficiencies related to the audit of the major federal award program of Jefferson County Industrial Development Agency.
5. The auditor's report on compliance for the major federal award program for Jefferson County Industrial Development Agency expresses an unqualified opinion on the major federal program.
6. There were no audit findings relative to the major federal award program for Jefferson County Industrial Development Agency.
7. The program tested as a major program included:
  - U.S. Department of Housing and Urban Development – Community Development Block Grant – CFDA #14.000.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Jefferson County Industrial Development Agency was determined to be a high-risk auditee.

***Section II – Financial Statement Findings:***

There were no findings to report.

***Section III – Federal Award Findings and Questioned Costs:***

There were no findings to report.

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

There were no prior findings to report the status of.