

**ECONOMIC DEVELOPMENT CORPORATION  
FINANCIAL REPORT  
DECEMBER 31, 2013**

# ECONOMIC DEVELOPMENT CORPORATION

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## Independent Auditor's Report

Kevin J. McCoy, CPA

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To the Board of Directors  
Economic Development Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Qualified Opinion**

As disclosed in Note 1 to the financial statements, accounting principles generally accepted in the United States of America require that the reporting entity include in its financial statements the consolidated financial results of all entities in which it has a controlling financial interest. Economic Development Corporation's financial statements do not include the accounts of Hudson River Local Development Corporation a controlled subsidiary of Economic Development Corporation. If the financial statements of Hudson River Local Development Corporation had been consolidated with those of Economic Development Corporation, total assets would be increased by \$536,153 and \$630,291, and total liabilities would be decreased by \$4,000 and increased by \$89,800 as of December 31, 2013 and 2012, respectively. Total revenues would be increased by \$73 and \$100,531, and total expenses would be increased by \$411 and \$91,258 for the years ended December 31, 2013 and 2012, respectively.

### **Qualified Opinion**

In our opinion, except for the effect of not consolidating this controlled entity, as disclosed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Economic Development Corporation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014 on our consideration of Economic 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 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* in considering Economic Development Corporation's internal control over financial reporting and compliance.

*Marvin and Company, P.C.*

Queensbury, NY  
March 7, 2014

**ECONOMIC DEVELOPMENT CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 312,511	\$ 127,605
Accounts receivable	99,363	130,585
Prepaid expenses	2,367	2,367
Total Current Assets	414,241	260,557
<b>Property, Plant and Equipment</b>		
Furniture and equipment	118,023	91,243
Leasehold improvements	12,157	12,157
Total	130,180	103,400
Less accumulated depreciation	87,790	82,964
Net Property, Plant and Equipment	42,390	20,436
<b>Other Assets</b>		
Due from related organization	159,600	159,600
<b>TOTAL ASSETS</b>	<u>\$ 616,231</u>	<u>\$ 440,593</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 1,364	\$ 13,959
Accrued expenses	2,067	-
Due to related organization	5,000	5,000
Total Current Liabilities	8,431	18,959
<b>Net Assets</b>		
Unrestricted	607,800	421,634
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 616,231</u>	<u>\$ 440,593</u>

**ECONOMIC DEVELOPMENT CORPORATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Support and Revenue</b>		
Contract Services - Warren County	\$ 335,000	\$ 300,000
Contract Services - Town of Queensbury	114,000	114,000
Contributions - Investors	97,770	82,275
In-Kind Contributions	5,883	-
Grants	10,000	-
Annual Meeting and Other Events	5,845	16,480
Interest Income	137	88
Other Income	6,031	1,175
Total Unrestricted Support and Revenue	<u>574,666</u>	<u>514,018</u>
<b>Expenses</b>		
Economic Development		
Marketing and Promotion	40,261	12,669
Consulting	2,275	3,027
Annual Meeting	10,522	12,825
Business Development	-	1,250
Holiday Network Event	3,138	1,606
Audit and Accounting	5,375	5,150
Automotive and Travel	1,842	3,695
Collateral Materials	2,616	600
Contributions	20,855	30,055
Computer and Telephone Expenses	8,084	8,766
Depreciation	4,826	1,932
Dues and Subscriptions	11,157	5,843
Employee Benefits	16,329	16,177
Equipment Lease and Maintenance	6,601	5,509
Insurance	4,893	4,736
Legal	11,072	2,440
Moving Expenses	-	1,125
Office Expenses	6,355	5,876
Office Space	16,650	16,650
Payroll Taxes and Fees	20,605	24,807
Pension Expense	9,797	14,113
Salary and Wages	184,696	238,786
Staff Training	551	2,451
Total Expenses	<u>388,500</u>	<u>420,088</u>
<b>Change in Net Assets</b>	186,166	93,930
Net Assets, Beginning of Year	<u>421,634</u>	<u>327,704</u>
<b>Net Assets, End of Year</b>	<u>\$ 607,800</u>	<u>\$ 421,634</u>

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 186,166	\$ 93,930
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	4,826	1,932
(Increase) decrease in assets:		
Accounts receivable	31,222	(128,391)
Increase (decrease) in liabilities:		
Accounts payable	(12,595)	(15,979)
Accrued expenses	2,067	-
Net Cash Provided (Used) by Operating Activities	<u>211,686</u>	<u>(48,508)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>(26,780)</u>	<u>(9,553)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	184,906	(58,061)
Cash and Cash Equivalents, Beginning of Year	<u>127,605</u>	<u>185,666</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 312,511</u></u>	<u><u>\$ 127,605</u></u>

**ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities***

The Organization was incorporated under the Not-For-Profit Corporation Law in New York State in November 1992. In May 2006, the Organization's name was changed from Warren County Economic Development Corporation to Economic Development Corporation (EDC). EDC was formed to plan and promote, and if necessary, to coordinate and execute programs in the Warren County region of New York aimed at improving the quality of life of its residents by enhancing and diversifying the economy of the region by attracting new industry and/or by encouraging the development of, or retention of, such businesses within the Warren County region.

EDC derives a substantial portion of its revenue through a services contract with Warren County through which it receives reimbursement of its operating expenses, not to exceed the contract amount. During the years ended December 31, 2013 and 2012, approximately 58%, of the Organization's revenues were derived from the services contract with Warren County.

***Basis of Accounting***

EDC prepares its financial statements on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

***Basis of Presentation***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of EDC and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met; either by the actions of EDC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. EDC had no temporarily restricted net assets as of December 31, 2013 and 2012.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by EDC. At December 31, 2013 and 2012, EDC had no permanently restricted net assets.

***Restricted and Unrestricted Revenue and Support***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

**ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***Property, Plant and Equipment***

Property, plant and equipment are recorded at cost. For financial statement purposes, depreciation is computed using the accelerated and modified accelerated cost recovery methods over the estimated useful lives of the assets involved. Any differences between this method and the straight-line method prescribed by generally accepted accounting principles are immaterial to the financial statements.

Estimated useful lives of related assets are as follows:

	<u>Years</u>
Furniture, fixtures and equipment	3 - 6
Leasehold Improvements	39

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

For the years ended December 31, 2013 and 2012 depreciation expense was \$4,826 and \$1,932, respectively.

***Accounts Receivable and Allowance for Uncollectible Accounts***

Accounts receivable are recorded net of an allowance for uncollectible accounts. The allowance is estimated based on management's estimates. The determination of accounts receivable that will be charged off is made by management and is evaluated on a case-by-case basis. Accounts receivable net of the allowance for uncollectible accounts consisted of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Receivable from local governments	\$ 84,373	\$ 128,500
Other Receivables	30,990	18,085
	<u>115,363</u>	<u>146,585</u>
Less: Allowance for Uncollectible Accounts	16,000	16,000
Total	<u>\$ 99,363</u>	<u>\$ 130,585</u>

For the years ended December 31, 2013 and 2012, bad debt expense was \$ -0-.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***Income Taxes***

EDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided for in these financial statements. In addition, EDC qualifies for the charitable contribution deduction under Section 170(B)(1)(a)(6) and has been classified as an organization that is not a private foundation under Section 509(a).

The tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. EDC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on EDC's financial condition, results of operations or cash flows. Accordingly, EDC has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2013.

EDC's information returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. There are currently no audits for any tax periods in progress. In general, the information returns have a three year statute of limitations. The returns filed by the EDC are no longer subject to examinations for the years prior to 2010.

***Advertising***

EDC expenses advertising costs as they are incurred. Marketing, promotion and advertising costs for the years ended December 31, 2013 and 2012 were \$ 40,261 and \$12,669, respectively.

***Unconsolidated Entities***

Accounting principles generally accepted in the United States of America require the financial results of all entities where the reporting entity has a controlling financial interest to be consolidated. EDC has determined that Hudson River Local Development Corporation (HRLDC) is an entity where EDC has a controlling financial interest. Management has elected not to consolidate HRLDC into the financial statements of EDC. EDC's interest in HRLDC has not been recorded on in its accounting records. See Note 6 for additional information regarding HRLDC.

***Cash Equivalents***

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**2. CONCENTRATION OF CREDIT RISK**

EDC maintains its cash balances with a single financial institution in Glens Falls, New York. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

**ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**3. OPERATING LEASES**

EDC has a renewable lease for the use of office space from the Glens Falls National Bank for the amount of \$1,387 per month. Payments made during 2013 and 2012 totaled \$16,650.

EDC has a non-cancelable lease agreement for a copier with monthly payments of \$240, signed in September 2012, which is being accounted for as an operating lease. Total equipment lease and maintenance expense for the years ended December 31, 2013 and 2012 was \$6,601 and \$5,509, respectively.

Future minimum rental payments are as follows:

2014	\$	2,880
2015		2,400

**4. RETIREMENT PLAN**

EDC has a retirement plan in the form of a simplified employee pension (SEP) plan, to which EDC is required to make annual contributions on behalf of eligible employees. For the years ended December 31, 2013 and 2012, EDC made a contribution for eligible employees in the amount of \$9,797 and \$14,113, respectively.

**5. CONTRIBUTED SERVICES**

EDC records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not provided by donation.

The following contributed services have been reflected in the financial statements of the Organization:

	<u>2013</u>
Marketing and promotional services	\$ 1,000
Computer and related services	2,243
Janitorial services	<u>2,640</u>
Total	<u>\$ 5,883</u>

There were no contributed services during 2012.

**ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**6. RELATED PARTY TRANSACTIONS – HUDSON RIVER LOCAL DEVELOPMENT CORPORATION**

The board members for Hudson River Local Development Corporation (HRLDC) consist of the Executive Committee of the Board of Directors of EDC. For the years ended December 31, 2013 and 2012, transactions between the Organizations were as follows:

	<u>2013</u>	<u>2012</u>
Contribution for operations paid to HRLDC	\$ 20,855	\$ 30,055

At December 31, 2013 and 2012, EDC had the following amounts outstanding with HRLDC:

Due from HRLDC	\$ 159,600	\$ 159,600
Due to HRLDC	5,000	5,000

Following is the condensed statement of financial position and statement of activities of HRLDC derived from HRLDC's audited financial statements for the years ended December 31, 2013 and 2012, respectively:

**Statement of Financial Position**

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets	\$ 272,204	\$ 366,342
Property, Plant and Equipment	428,549	428,549
Total Assets	<u>\$ 700,753</u>	<u>\$ 794,891</u>
Liabilities		
Current Liabilities	<u>\$ 160,600</u>	<u>\$ 254,400</u>
Net Assets	<u>\$ 540,153</u>	<u>\$ 540,491</u>
Total Liabilities and Net Assets	<u>\$ 700,753</u>	<u>\$ 794,891</u>

**Statement of Activities**

	<u>2013</u>	<u>2012</u>
Revenues	\$ 20,928	\$ 130,586
Expenses	<u>21,266</u>	<u>121,313</u>
Change in Net Assets	<u>\$ (338)</u>	<u>\$ 9,273</u>

**ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**7. CONTINGENCIES**

EDC's contracts for services are subject to audit by the funding sources at their discretion. Such audits could result in claims against EDC for disallowed costs. EDC's management believes such claims, if any, which may arise, would be immaterial. As such, no provisions for potential claims have been made in the financial statements.

**8. FUNCTIONAL EXPENSES**

At December 31, 2013 and 2012, EDC had the following functional expenses:

	<u>2013</u>	<u>2012</u>
Program services	\$ 297,268	\$ 331,231
Supporting services	83,768	79,335
Fundraising	7,464	9,522
Total	<u>\$ 388,500</u>	<u>\$ 420,088</u>

**9. RECLASSIFICATION OF PRIOR YEAR'S FINANCIAL STATEMENTS**

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. The reclassifications have no effect on the previously reported change in net assets or net assets.

**10. SUBSEQUENT EVENTS**

Management has evaluated all events subsequent to the statement of financial position date of December 31, 2013 through March 7, 2014, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recording or disclosure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Heather D. Patten, CPA

Board of Directors  
Economic Development Corporation

We have audited, 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, the financial statements of Economic Development Corporation which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated March 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Economic Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Development Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

*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.

We consider the deficiency in internal control described in the accompanying schedule of findings at item 2013-01 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Economic 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 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*.

## **Economic Development Corporation's Response to Findings**

The Economic Development Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Economic Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marvin and Company, P.C.*

Queensbury, NY  
March 7, 2014

**ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Findings – Financial Statement Audit**

**2013-01**      Property, Plant and Equipment

Finding

Based on audit procedures, we noted certain expenditures for purchase of property, plant and equipment that were expensed rather than capitalized.

Effect

Expenses and property, plant and equipment were materially misstated.

Cause

Purchases of property, plant and equipment were not properly recorded resulting in expenses and property, plant and equipment being misstated.

Recommendation

We recommend that when property, plant and equipment are acquired that these assets be properly capitalized rather than recorded as an expense.

Management's Response

Management agrees with finding 2013-01 and Economic Development Corporation will establish a capitalization policy and will implement a procedure to ensure all purchases of property, plant and equipment are reviewed and recorded appropriately.