

CITY OF KINGSTON
LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

Year Ended December 31, 2018

CITY OF KINGSTON
LOCAL DEVELOPMENT CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 5
FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 – 14
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 – 16

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
City of Kingston Local Development Corporation
Kingston, New York

Report on the Financial Statements

We have audited the accompanying statement of net position of the City of Kingston Local Development Corporation ("KLDC") (a component unit of the City of Kingston), as of December 31, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year 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.

Auditors' Responsibility

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 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 auditors' 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 KLDC'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 KLDC'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.

MEMBERS: American Institute of Certified Public Accountants, New York State Society of Certified Public Accountants National Conference of CPA Practitioners

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Kingston Local Development Corporation as of December 31, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 – 5 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, and 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 method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of KLDC'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 KLDC's internal control over financial reporting and compliance.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
March 29, 2019

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

As financial management of the City of Kingston Local Development Corporation (KLDC), we offer readers of these financial statements this narrative overview and analysis of the financial activities for KLDC for the fiscal year ended December 31, 2018. 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 herein in conjunction with the financial statements taken as a whole.

Budget

KLDC occasionally receives grants, with a minimal amount of operating income, to extend its programs. KLDC files for various grants and loans to provide economic development assistance in the City of Kingston. However, the funding of these grants is not assured at the beginning of the year. Because KLDC does not know how much funding will be received during any year, how many loan applications will be approved, or what programs can be made available, KLDC cannot project the amount that it can use for its programs to project an accurate budget. KLDC strictly adheres to financial procedures and requirements of New York State General Municipal Law, Article 18A, and its own bylaws, as audited by our accountants at Mostert, Manzanero & Scott, LLP.

Overview of the Financial Statements

This management's discussion and analysis accompanies KLDC's financial statements, notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

KLDC's financial statements provide readers with a comprehensive reporting of KLDC's 2018 transactions and balances. The difference between the assets and liabilities are reported as the net position. Increases or decreases in the net position are an indicator of strengthened or weakened financial position.

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.

Financial Analysis

KLDC's net position increased by \$18,436 in 2018. This was due to a reduction in operating expenses over the prior year. Operating revenues, excluding the 2017 loss on sale of capital assets, decreased by \$165,886 and operating expenses decrease by \$81,183 for the year. Non-operating activities increased by \$1,341. KLDC's prime objective is administration of certain loan programs, economic development, technical assistance and training, operation of the KBP of the City of Kingston, and infrastructure improvement aimed at fostering new job creation which are business-type activities. Since KLDC conducts only business-type activities, this annual report consists only of the statements of net position, revenues, expenses and changes in net position and cash flows, which provide information about the activities of KLDC.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

The following is a 2018 – 2017 comparative summary of KLDC's financial statements showing the change in net position:

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
NET POSITION

	<u>2018</u>	<u>2017</u>
Current assets	\$ 3,640,407	\$ 3,456,534
Non-current assets	<u>3,732,633</u>	<u>3,924,782</u>
Total assets	<u>7,373,040</u>	<u>7,381,316</u>
Long-term debt	810,103	841,561
Other current liabilities	<u>14,913</u>	<u>10,167</u>
Total liabilities	<u>825,016</u>	<u>851,728</u>
Net position:		
Invested in capital assets, net	2,837,283	2,824,656
Unrestricted	<u>3,710,741</u>	<u>3,704,932</u>
Total net position	<u>\$ 6,548,024</u>	<u>\$ 6,529,588</u>

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Lending activities	\$ 44,182	\$ 80,019
Kingston Business Park	91,092	90,952
Bad debt recovery	-	130,189
Loss on sale of real property	<u>-</u>	<u>(706,775)</u>
Total operating revenues	<u>135,274</u>	<u>(405,615)</u>
Operating expenses:		
Lending activities	86,597	104,415
Kingston Business Park	<u>36,637</u>	<u>100,002</u>
Total operating expenses	<u>123,234</u>	<u>204,417</u>
Net operating income (loss)	<u>12,040</u>	<u>(610,033)</u>
Non-operating revenues:		
Interest and investments	<u>6,396</u>	<u>5,055</u>
Total non-operating revenues	<u>6,396</u>	<u>5,055</u>
Increase (decrease) in net position	<u>\$ 18,436</u>	<u>\$ (604,977)</u>

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Capital assets:		
Land, property and construction, net of depreciation	\$ 2,947,386	\$ 2,966,217
Total capital assets	<u>\$ 2,947,386</u>	<u>\$ 2,966,217</u>

In July 2008, KLDC completed construction of a 10,000 square foot building for a total cost of \$1,854,782. KLDC received a grant in the amount of \$1,000,000 from the NYS Dormitory to help with the construction costs. KLDC sold this building in 2017 for \$750,000, which KLDC believes will increase employment and business activity in Kingston. KLDC continues to actively market the remainder of the park.

KLDC has a tenant occupying another building for more than 20 years.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
OUTSTANDING DEBT

	<u>2018</u>	<u>2017</u>
Outstanding debt:		
DOT (Kingston Business Park)	\$ 110,103	\$ 141,561
HUD Loans	<u>700,000</u>	<u>700,000</u>
Total outstanding debt	<u>\$ 810,103</u>	<u>\$ 841,561</u>

Economic Factors

The management of KLDC is not aware of any changes in economic factors or conditions since December 31, 2018 that will have any significant effect on KLDC into the future.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Amanda L. Bruck, Executive Director, City of Kingston Local Development Corporation, 420 Broadway, Kingston, New York 12401.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

December 31, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,104,258
Restricted cash	400,674
Grants receivable	19,661
Current portion of loans receivable	115,342
Prepaid expenses	472
Total current assets	<u>3,640,407</u>

Non-current assets:

Long-term portion of loans receivable, net of allowance of \$32,130	785,247
Land, property and construction	2,947,386
Total non-current assets	<u>3,732,633</u>

Total assets	<u>7,373,040</u>
--------------	------------------

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	9,160
Accrued liabilities	5,753
Current portion of debt	131,458
Total current liabilities	<u>146,371</u>

Long-term liabilities:

Long-term debt	<u>678,645</u>
----------------	----------------

Total liabilities	<u>825,016</u>
-------------------	----------------

Net position:

Invested in capital assets, net related debt	2,837,283
Restricted	400,674
Unrestricted	<u>3,310,067</u>

Total net position	<u>\$ 6,548,024</u>
--------------------	---------------------

See accompanying notes.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Year Ended December 31, 2018

Operating revenues:	
Lending activities	\$ 44,182
Rental activities	91,092
Total operating revenues	<u>135,274</u>
Operating expenses:	
Professional fees	10,470
Depreciation	18,830
Insurance	3,598
Interest	17,260
Office expenses	994
Other	858
Personal services and benefits	39,920
Façade payments	20,000
Utilities	11,304
Total operating expenses	<u>123,234</u>
Operating income	<u>12,040</u>
Non-operating revenues:	
Interest	<u>6,396</u>
Total non-operating revenues	<u>6,396</u>
Change in net position	18,436
Net position - Beginning of year	<u>6,529,588</u>
NET POSITION - END OF YEAR	<u>\$ 6,548,024</u>

See accompanying notes.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

Cash flows from operating activities:	
Cash received from lending activities	\$ 257,402
Cash received from rental activities	91,092
Issuance of loans	(13,585)
Payment of operating expenses	(82,398)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>252,511</u>
Cash flows from capital and financing activities:	
Principal paid on debt	(31,458)
Interest paid on debt	(17,260)
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	<u>(48,718)</u>
Cash flows from investing activities:	
Interest on cash investments	<u>6,396</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,396</u>
NET INCREASE IN CASH	210,189
Cash - Beginning of year	<u>3,294,743</u>
CASH - END OF YEAR	<u><u>\$ 3,504,932</u></u>
Cash summary:	
Cash	\$ 3,104,258
Restricted cash	400,674
Total	<u><u>\$ 3,504,932</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 12,040
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	18,830
Interest paid on debt	17,260
Changes in assets and liabilities:	
Accounts receivable	1,460
Notes receivable, net	198,175
Accounts payable and accrued liabilities	4,746
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 252,511</u></u>

See accompanying notes.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 1 ORGANIZATION

The City of Kingston Local Development Corporation ((KLDC), in Kingston, New York, was incorporated in 1994, under Not-For-Profit Corporation Law and is exempt from Federal income tax as an Organization described in Section 501(c)(3) of the Internal Revenue Code.

KLDC is operated exclusively for the charitable or public purposes of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, promoting instruction or training of individuals to promote or develop their capabilities for such jobs, aiding in attracting new business and industry, or by encouraging the development or retention of, business and industry within the City of Kingston.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

For purposes of applying accounting and financial reporting standards, KLDC is considered a governmental entity and a component unit of the City of Kingston since all board members are appointed by the Mayor. As such, KLDC has implemented the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

- The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.
- The Management’s Discussion and Analysis (MD&A) section is management’s analysis of KLDC’s overall financial position and results of operations.
- The financial statements are prepared using the full accrual basis for all activities. Operating revenues and expenses result from providing lending services and also operation of a business park.

Notes Receivable

Notes receivable are shown net of the allowance for uncollectible accounts in accordance with U.S. GAAP. Receivables for loans are reviewed periodically by management to update the allowance for uncollectible amounts. These provisions are estimated based on an analysis of the aging of the receivable and any other factors known by management. The allowance for uncollectible accounts was \$32,130 as of December 31, 2018.

Cash and Cash Equivalents

For purposes of the statement of cash flows, KLDC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital Assets

All acquisitions of property and equipment are capitalized and recorded at cost. Capital assets as defined by KLDC are assets with an initial unit cost of \$1,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects and depreciated when placed in service. Depreciation of property and equipment is provided on the straight line method

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 reported period. Actual results could differ from those estimates.

Net Position

KLDC reports its net position in three components. Net investment in capital assets are equal to amounts reported for capital assets, net of related debt and accumulated depreciation, plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position is reported when assets (net of related debt) can only be used for a specific purpose that is established by grantors, contributors, laws or regulations governing KLDC. Unrestricted net position is all other net position that does not meet the definition of invested capital assets or restricted net position.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Income Tax Status

KLDC is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and similar New York State laws and, as such, is not subject to Federal or State income taxes. In addition, KLDC qualifies for the charitable contribution deduction under Section 170(b)(a)(2) and has been classified as an organization other than a private foundation under Section 509(a)(2).

KLDC reviews the components of revenues, gains, and other support and analyzes whether the position that KLDC takes with regard to a particular item of income would meet the definition of an uncertain tax position under U.S. GAAP. KLDC files information tax returns in the U.S. Federal and New York State jurisdictions. The tax years that remain subject to examination by authorities are generally the previous three years.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Accounting Pronouncements

During the year ended December 31, 2018, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective.

KLDC has evaluated these Statements and determined that they have no significant impact on KLDC's financial statements for the year ended December 31, 2018.

The following are GASB Statements that have been issued recently and are currently being evaluated by KLDC for their potential impact in future years:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019.
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019.
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which will be effective for the year ending December 31, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending December 31, 2020.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending December 31, 2019.

Events Occurring After Reporting Date

Subsequent events were evaluated through March 29, 2018, which is the date the financial statements were available to be issued.

NOTE 3 CASH AND CASH EQUIVALENTS

KLDC maintains its cash balances at several financial institutions located in Kingston, New York. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 each for interest and non-interest bearing accounts. Deposits at year-end were covered by the FDIC or by collateral held by a custodial bank in KLDC's name. The deposits consisted of the following:

	<u>Bank Balance</u>	<u>Insured by FDIC</u>	<u>Collateralized Custodial Bank</u>	<u>Uncovered</u>
Catskill Hudson Bank	\$ 3,504,932	\$ 250,000	\$ 3,254,932	\$ -

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 4 RESTRICTED CASH

Payments received on Section 108 loans are restricted to paying KLDC's debt service on its outstanding Section 108 loans from HUD.

NOTE 5 LOANS RECEIVABLE

Revolving Loan Funds (RLF)

KLDC grants loans to businesses through the Community Development Revolving Loan Fund (CDRLF), Kingston Revolving Loan Fund (KRLF), Section 108 Loan Guarantee Program (Section 108), Kingston Newburgh Enterprise Corp. (KNEC), EDI and the Micro Enterprise Program (Micro). These loan funds allow KLDC to offer low interest loans to area businesses creating jobs in the City of Kingston. The proceeds of these loans are used to offer new loans once the previous loans have been paid in full. The activity for the year ended December 31, 2018 is as follows:

<u>Borrower</u>	<u>01/01/2018 Balance</u>	<u>Loans Granted</u>	<u>Loan Payments</u>	<u>Loan Write-Offs</u>	<u>12/31/2018 Balance</u>
CDRLF	\$ 230,597	\$ -	\$ (56,427)	\$ -	\$ 174,170
KRLF	108,277	-	(66,722)	-	41,555
Section 108	756,198	-	(79,855)	-	676,343
EDI	28,125	-	(7,500)	-	20,625
Micro	5,985	-	(1,327)	-	4,658
Facade improvement	<u>2,533</u>	<u>13,585</u>	<u>-</u>	<u>(750)</u>	<u>15,368</u>
	1,131,715	<u>\$ 13,585</u>	<u>\$ (211,831)</u>	<u>\$ (750)</u>	932,719
Allowance for estimated losses	<u>(32,952)</u>				<u>(32,130)</u>
Net	<u>\$ 1,098,763</u>				<u>\$ 900,589</u>
Current portion	\$ 140,198				\$ 115,342
Non-current portion, net	<u>958,565</u>				<u>785,247</u>
Net	<u>\$ 1,098,763</u>				<u>\$ 900,589</u>

NOTE 6 KINGSTON BUSINESS PARK

KLDC owns and operates the KBP. Phase 1 of the Park was substantially completed during 1997. The first tenant, Huck International, moved into its facility in May 1997. The lease was for 20 years and has been extended for 10 years.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 7 CAPITAL ASSETS

Activity related to capital assets, as of December 31, consisted of the following:

	01/01/2018 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	12/31/2018 <u>Balance</u>
<u>Kingston Business Park (KBP)</u>				
Land	\$ 2,784,953	\$ -	\$ -	\$ 2,784,953
Depreciated assets:				
Improvements	<u>1,593,627</u>	<u>-</u>	<u>-</u>	<u>1,593,627</u>
Total	4,378,580	-	-	4,378,580
Less: Accumulated depreciation:				
Improvements	<u>(1,412,363)</u>	<u>(18,831)</u>	<u>-</u>	<u>(1,431,194)</u>
Total KBP	<u>\$ 2,966,217</u>	<u>\$ (18,831)</u>	<u>\$ -</u>	<u>\$ 2,947,386</u>

NOTE 8 LOANS PAYABLE

During 2005, KLDC drew down \$5,359,000 under the Section 108 loan guarantee program. The first principal payment on this loan was paid in August 2008 with varying amounts due through 2025. A total of \$700,000 is outstanding as of December 31, 2018. As of 2016, all Section 108 loans have been put into permanent financing.

KLDC has drawn down \$157,290 from DOT as part of the financing Phase 1 of the KBP. The loan is interest-free and was expected to be paid in varying amounts over 5 years. Repayment had been deferred several years but started in 2017. At December 31, 2018, the outstanding balance was \$110,103.

These loans can be summarized as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 131,458	\$ 17,260
2020	131,458	15,380
2021	147,187	13,400
2022	100,000	11,050
2023	100,000	8,600
2024 – 2025	<u>200,000</u>	<u>8,750</u>
Loans payable, long-term	<u>\$ 810,103</u>	<u>\$ 74,440</u>

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 9 TRANSACTIONS WITH THE CITY OF KINGSTON

KLDC's staff members are actually employees of the City of Kingston's Community Development Office (CD). All of KLDC's activities are conducted out of the CD office. 50% of the staff's salary is allocated by the City of Kingston to KLDC based on estimated time spent on KLDC's activities.

NOTE 10 FEDERAL AND STATE AID

KLDC has received federal and state aid and grants that are subject to audits by agencies of the federal and state governments. Such audits may result in disallowances and a request for a return of funds to the federal and state governments. KLDC believes disallowances, if any, will be immaterial.

NOTE 11 FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

State statutes govern KLDC's investment policies. In addition, KLDC has its own written investment policy. KLDC monies must be deposited in FDIC insured commercial banks or trust companies located within New York State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations to the United States and its agencies and obligations of New York State and its municipalities and school districts.

KLDC had no uncollateralized cash as of December 31, 2018.

Notes Receivable

Notes receivable consists of numerous notes with businesses in the City of Kingston. KLDC has collateralized its interest in these notes by retaining the reversionary rights to the property or by acquiring additional liens and mortgages on the property.

* * * * *

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

INDEPENDENT AUDITORS' 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
City of Kingston Local Development Corporation
Kingston, New York

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of Kingston Local Development Corporation (KLDC), which comprise the statement of net position as of and for the year ended December 31, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KLDC'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 KLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of KLDC's internal control.

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

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

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KLDC'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*.

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 KLDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KLDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the City of Kingston Local Development Corporation audit committee, management, the State of New York, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oneonta, New York
March 29, 2019

A handwritten signature in black ink that reads "Mostert, Manzanero & Scott, LLP". The signature is written in a cursive style and is located on a light blue rectangular background.