

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Jamestown, New York)

Years Ended December 31, 2013 and 2012

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

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Independent Auditor's Report

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

I have audited the accompanying financial statements of Jamestown Local Development Corporation, a component unit of the City of Jamestown, New York as of and for the years ended 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with Government Auditing Standards, I have also issued a report dated April 5, 2013, on my consideration of the Corporation's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or 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 my audit.

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Other Matters (Cont'd)

In accordance with New York State Public Authorities Law, I have also issued a report dated March 31, 2014, on my consideration of management's assertions of the Corporation's internal control over financial reporting. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or 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 my audit.

JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
March 31, 2014

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents:		
Checking (Note 2)	\$ 110,879	\$ 135,951
Interest bearing deposits (Note 3)	<u>3,284,377</u>	<u>2,821,993</u>
Total cash and cash equivalents	3,395,256	2,957,944
Loans receivable, net of allowance of \$697,188 for 2013 and \$696,573 for 2012 (Note 5)	763,355	1,233,964
Loan receivable - Downtown Jamestown Revitalization LLC, net of allowance of \$12,118 for 2013 and 2012 (Note 9)	230,248	230,248
Accounts receivable	-	<u>12,401</u>
Total assets	<u>\$ 4,388,859</u>	<u>\$ 4,434,557</u>
Liabilities:		
Account payable and accrued expenses	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Restricted (Note 8)	<u>4,388,859</u>	<u>4,434,557</u>
Total net assets	<u>4,388,859</u>	<u>4,434,557</u>
 Total liabilities and net assets	 <u>\$ 4,388,859</u>	 <u>\$ 4,434,557</u>

See the accompanying notes to financial statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Interest income:		
Loans	\$ 53,607	\$ 67,855
Interest bearing deposits	4,635	7,386
Loan application and late fees	928	1,512
Recovery of bad debts	-	16,950
Total revenues	<u>59,170</u>	<u>93,703</u>
Expenditures:		
Administration (Note 6)	100,000	75,000
Miscellaneous	2,795	2,806
Computer programming	1,182	1,182
Bad debt expense	615	12,118
Office expense	276	134
Economic development - Gateway Train Station (Note 4)	-	100,854
Total expenditures	<u>104,868</u>	<u>192,094</u>
Change in net assets	(45,698)	(98,391)
Restricted net assets, beginning of year	<u>4,434,557</u>	<u>4,532,948</u>
Restricted net assets, end of year	<u>\$ 4,388,859</u>	<u>\$ 4,434,557</u>

See the accompanying notes to financial statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash received from interest on loans	\$ 53,607	\$ 67,855
Cash received from interest bearing deposits	4,635	7,386
Cash received from loan applications and late fees	928	1,512
Cash received from accounts receivable	12,401	-
Cash received from grant receivable	-	325,500
Cash paid for administration	(100,000)	(75,000)
Cash paid to vendors	<u>(4,253)</u>	<u>(117,377)</u>
Net cash (used in) provided by operating activities	<u>(32,682)</u>	<u>209,876</u>
 Cash Flows from Noncapital Financing Activities:		
Principal payments received on loans receivable, net	469,994	116,793
Loan receivable - Downtown Jamestown Revitalization LLC, net	<u>-</u>	<u>(242,366)</u>
Net cash provided by (used in) noncapital financing activities	<u>469,994</u>	<u>(125,573)</u>
 Net increase in cash and cash equivalents	437,312	84,403
 Cash and cash equivalents, beginning of year	<u>2,957,944</u>	<u>2,873,641</u>
 Cash and cash equivalents, end of year	<u>\$ 3,395,256</u>	<u>\$ 2,957,944</u>
 Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ (45,698)	\$ (98,391)
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</i>		
Grant receivable	-	325,500
Accounts receivable	12,401	(12,401)
Bad debt expense (recovery) on loans	615	(16,950)
Increase in allowance for loss on loan receivable from Downtown Jamestown Revitalization LLC	<u>-</u>	<u>12,118</u>
Net cash (used in) provided by operating activities	<u>\$ (32,682)</u>	<u>\$ 209,876</u>

See the accompanying notes to financial statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of Corporation

Jamestown Local Development Corporation was created by the City of Jamestown, New York Council in April 1981. The Corporation serves as the lending agency of the City of Jamestown, New York's Department of Development. No taxpayer dollars are used as loan money. Seed money for this revolving loan fund was provided by repaid loan proceeds from Urban Development Action Grant (UDAG), Community Development Block Grant (CDBG), and Jamestown Urban Renewal Agency (JURA) projects.

The Corporation offers fixed, low interest rate loans, currently (5% to 6½%) for a variety of purposes including business start up, real estate acquisition and renovation, machinery and equipment purchases, local artisan development, downtown restaurant development, technology based business development, and energy efficiency improvements to commercial and industrial buildings.

The Corporation's loan maximums range from \$35,000 to \$350,000 based upon the various loan programs and varying percentage participation levels.

Reporting Entity

Jamestown Local Development Corporation is a non-profit corporation and is a component unit of the City of Jamestown, New York. The financial activities of the Corporation are combined with the financial activities of the City of Jamestown, New York and other component units, which constitutes the entire reporting entity of the City of Jamestown, New York. The requirements pursuant to the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations have been satisfied at the reporting entity level.

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting and are presented in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. In addition, the Corporation utilizes the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 defines terminology and classification of fund balance to reflect spending constraints on resources, rather than the availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: non spendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the Corporation is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

Non spendable - Consists of assets inherently non spendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, and financial assets held for resale.

Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. The Corporation's legally adopted reserves are reported here.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Accounting and Presentation (Cont'd)

Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the Corporation's highest level of decision making authority prior to the end of the fiscal year, which requires the same level of formal action to remove the said constraint.

Unassigned - Represents the residual classification of the Corporation, and could report a surplus or deficit.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation's management to make estimates and assumptions in determining the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

The Corporation follows the policy of providing currently for bad debts in order to maintain an adequate reserve for anticipated losses.

Support and Revenue

The Corporation is funded principally through interest income from loans and interest bearing deposits.

Date of Management's Review

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 31, 2014, the date the financial statements were available to be issued.

NOTE 2 - CHECKING

Cash and cash equivalents included bank deposits of \$110,879 and \$135,951 as of December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, the Corporation's accounts were covered 100% by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 - INTEREST BEARING DEPOSITS

Cash and cash equivalents included interest bearing deposits of \$3,284,377 and \$2,821,993 as of December 31, 2013 and 2012, respectively. These deposits are pooled with other monies administered by the City of Jamestown, New York's Department of Development.

NOTE 4 - GRANT EXPENDITURE

During the year ended December 31, 2012, renovation expenditures for the Gateway Train Station totaled \$100,854. Expenditures were made pursuant to the grant agreement received from the New York State Office of Parks, Recreation, and Historic Preservation .

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSS

As of December 31, 2013 and 2012, loans receivable were summarized as follows:

	<u>2013</u>	<u>2012</u>
Loans	\$ 1,460,543	\$ 1,930,537
Less: Allowance for loan losses	<u>(697,188)</u>	<u>(696,573)</u>
Loans receivable, net	<u>\$ 763,355</u>	<u>\$ 1,233,964</u>

Allowance for Loan Loss

	<u>2013</u>	<u>2012</u>
Allowance for Loan Loss, beginning of year	\$ (696,573)	\$ (713,523)
Addition to allowance	(615)	-
Recovery of loan losses	-	16,950
Allowance for Loan Loss, end of year	<u>\$ (697,188)</u>	<u>\$ (696,573)</u>

NOTE 6 - ADMINISTRATION

The City of Jamestown, New York's Department of Development charged the Corporation an administration fee for wages, payroll taxes, fringe benefits, and other costs associated with the operation of the Corporation. The administration fee charged to the Corporation totaled \$100,000 and \$75,000 for the years ended December 31, 2013 and 2012, respectively.

NOTE 7 - CONCENTRATION OF RISK

Financial instruments, which potentially subject the Corporation to concentration of risk, consist of deposits with a single financial institution, cash in excess of FDIC insurance, and notes receivable. The Corporation generally places its cash and interest bearing deposits with qualifying institutions and collateralizes cash deposits in excess of FDIC coverage with obligations of the United States and its agencies. The Corporation had an agreement for adequate collateralization with a banking institution as of December 31, 2013 and 2012.

Concentrations of risk with respect to notes receivable are limited due to the large number of loans and the dispersion across many different industries. Also, the Corporation requires security to support the note receivables.

NOTE 8 - RESTRICTED NET ASSETS

As of December 31, 2013 and 2012, restricted net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Economic Development	<u>\$ 4,388,859</u>	<u>\$ 4,434,557</u>

NOTE 9 - LOAN RECEIVABLE - DOWNTOWN JAMESTOWN REVITALIZATION LLC

The Corporation maintained a loan receivable from Downtown Jamestown Revitalization LLC totaling \$242,366 as of December 31, 2013 and 2012. The Corporation also maintained a \$12,118 allowance for loss on the receivable as of December 31, 2013 and 2012, respectively. Downtown Jamestown Revitalization LLC is the entity designated for the development of the Gateway Train Station located in Jamestown, New York.

**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**

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

I have audited the financial statements of the Jamestown Local Development Corporation as of and for the years ended December 31, 2013 and 2012, and have issued my report thereon dated March 31, 2014. I conducted the 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.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the Jamestown Local Development Corporation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Corporation'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 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.

My consideration of the 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Jamestown Local Development Corporation, in a separate letter dated March 31, 2014.

This report is intended solely for the information and use of management, City Council, 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.

JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
March 31, 2014

Independent Auditor's Report on Internal Controls

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

I have audited management's assertion that Jamestown Local Development Corporation maintained effective internal control over financial reporting as of December 31, 2013 and 2012. The Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal over financial reporting. My responsibility is to express an opinion on management's assertion based on my examination.

I conducted my audits in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. My audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. My audit also included performing such other procedures as I considered necessary in the circumstances. I believe that my audits provide a reasonable basis for my opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding preparation of reliable financial statements, in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that 1) pertain to the maintenance of records that, in a reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity, 2) provide reasonable assurance that transactions are recorded a necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorization of management, and those charged with governance; and 3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In my opinion, management's assertions that Jamestown Local Development Corporation maintained effective internal control over financial reporting as of December 31, 2013 and 2012 is fairly stated, in all material respects.

I have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the authority and my report dated March 31, 2014 expressed an unqualified opinion.

I noted certain matters that I reported to management of the Jamestown Local Development Corporation, in a separate letter dated March 31, 2014.

This report is intended solely for the information and use of management, City Council, 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.

JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
March 31, 2014