

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

Years Ended December 31, 2015 and 2014

JOHN S. TRUSSALO

— Certified Public Accountant, P.C. —

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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 (the Corporation), a blended component unit of the City of Jamestown, New York, whose activity is reported in the Special Revenue Fund, a governmental fund in the City of Jamestown, New York's financial statements as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

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 includes 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 Jamestown Local Development Corporation as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued a report dated March 25, 2016, 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 in considering the Corporation's internal control over financial reporting and compliance.



JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
March 25, 2016

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

BALANCE SHEETS

AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents:		
Checking (Note 2)	\$ 645,397	\$ 551,990
Interest bearing deposits (Note 3)	<u>3,107,782</u>	<u>3,106,227</u>
Total cash and cash equivalents	3,753,179	3,658,217
Loans receivable, net of allowance of \$653,319 for 2015 and \$667,540 for 2014 (Note 4)	479,160	451,083
Loan receivable - Downtown Jamestown Revitalization LLC, net of allowance of \$25,724 for 2015 and 2014 (Note 5)	<u>-</u>	<u>216,642</u>
Total assets	<u>4,232,339</u>	<u>4,325,942</u>
Fund Balance:		
Restricted (Note 6)	<u>4,232,339</u>	<u>4,325,942</u>
Total fund balance	<u>\$ 4,232,339</u>	<u>\$ 4,325,942</u>

See the accompanying notes to financial statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Revenues:		
Interest income:		
Loans	\$ 19,165	\$ 30,973
Interest bearing deposits	3,365	1,824
Loan application and late fees	<u>441</u>	<u>526</u>
Total revenues	<u>22,971</u>	<u>33,323</u>
 Expenditures:		
Administration (Note 7)	100,000	83,750
Development costs - Two Riverwalk Trail Bridges	25,652	-
Miscellaneous	3,942	2,809
Computer programming	1,182	1,182
Office expense	19	412
Bad debt (recovery) expense:		
Downtown Jamestown Revitalization LLC	-	13,606
Loans	<u>(14,221)</u>	<u>(5,519)</u>
Total expenditures	<u>116,574</u>	<u>96,240</u>
 Change in fund balance	 (93,603)	 (62,917)
 Fund Balance, beginning of year	 <u>4,325,942</u>	 <u>4,388,859</u>
 Fund Balance, end of year	 <u>\$ 4,232,339</u>	 <u>\$ 4,325,942</u>

See the accompanying notes to financial statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from interest on loans	\$ 19,165	\$ 30,973
Cash received from interest bearing deposits	3,365	1,824
Cash received from loan applications and late fees	441	526
Cash paid for administration	(100,000)	(83,750)
Cash paid to vendors	<u>(30,795)</u>	<u>(4,403)</u>
Net cash used in operating activities	<u>(107,824)</u>	<u>(54,830)</u>
 Cash Flows from Noncapital Financing Activities:		
Principal payments received on loan receivable from Downtown Jamestown Revitalization LLC	216,642	-
(Issuance of) principal payments received on loans, net	<u>(13,856)</u>	<u>317,791</u>
Net cash provided by (used in) noncapital financing activities	<u>202,786</u>	<u>317,791</u>
 Net increase in cash and cash equivalents	94,962	262,961
 Cash and cash equivalents, beginning of year	<u>3,658,217</u>	<u>3,395,256</u>
 Cash and cash equivalents, end of year	<u>\$ 3,753,179</u>	<u>\$ 3,658,217</u>
 Reconciliation of change in fund balance to net cash used in operating activities:		
Change in fund balance	\$ (93,603)	\$ (62,917)
<i>Adjustments to reconcile change in fund balance to net cash used in operating activities:</i>		
Bad debt recovery on loans	(14,221)	(5,519)
Increase in allowance for loss on loan receivable from Downtown Jamestown Revitalization LLC	<u>-</u>	<u>13,606</u>
Net cash used in operating activities	<u>\$ (107,824)</u>	<u>\$ (54,830)</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 blended 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.

Loans Receivable

Loans receivable represent amounts owed to the Corporation for economic development loans.

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 25, 2016, the date the financial statements were available to be issued.

NOTE 2 - CHECKING

Cash and cash equivalents included bank deposits of \$645,397 and \$551,990 as of December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, 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 \$3,107,782 and \$3,106,227 as of December 31, 2015 and 2014, respectively. These deposits are pooled with other monies administered by the City of Jamestown, New York's Department of Development.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSS

As of December 31, 2015 and 2014, loans receivable were summarized as follows:

	<u>2015</u>	<u>2014</u>
Loans	\$ 1,132,479	\$ 1,118,623
Less: Allowance for loan losses	<u>(653,319)</u>	<u>(667,540)</u>
Loans receivable, net	<u>\$ 479,160</u>	<u>\$ 451,083</u>

Allowance for Loan Loss

	<u>2015</u>	<u>2014</u>
Allowance for Loan Loss, beginning of year	\$ (667,540)	\$ (697,188)
Recovery of loan losses	14,221	5,519
Loan charged off	<u>-</u>	<u>24,129</u>
Allowance for Loan Loss, end of year	<u>\$ (653,319)</u>	<u>\$ (667,540)</u>

NOTE 5 - DOWNTOWN JAMESTOWN REVITALIZATION LLC, LOAN RECEIVABLE AND ALLOWANCE FOR LOAN LOSS

The Corporation maintained a loan receivable from Downtown Jamestown Revitalization LLC. Downtown Jamestown Revitalization LLC is the entity designated for the development of the Gateway Train Station located in Jamestown, New York. As of December 31, 2015 and 2014, loans receivable is summarized as follows:

	<u>2015</u>	<u>2014</u>
Loan receivable	\$ 25,724	\$ 242,366
Less: Allowance for loan loss	<u>(25,724)</u>	<u>(25,724)</u>
Loan receivable, net	<u>\$ -</u>	<u>\$ 216,642</u>

NOTE 6 - RESTRICTED FUND BALANCE

As of December 31, 2015 and 2014, restricted fund balance were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Economic Development	<u>\$ 4,232,339</u>	<u>\$ 4,325,942</u>

NOTE 7 - 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 \$83,750 for the years ended December 31, 2015 and 2014, respectively.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - 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, 2015 and 2014.

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.

**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, 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 Controller General of the United States, the financial statements of the Jamestown Local Development Corporation (the Corporation), a blended component unit of the City of Jamestown, New York, whose activity is reported in the Special Revenue Fund, a governmental fund in the City of Jamestown, New York's financial statements, as of and for the years ended December 31, 2015 and 2014, and the related notes to the basic financial statements, and have issued my report thereon dated March 25, 2016.

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, I considered the Jamestown Local 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. 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. 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.


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

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of my 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.


JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
March 25, 2016