

**TOWN OF PLATTSBURGH
LOCAL DEVELOPMENT CORPORATION, INC.**

Independent Auditors' Report

Financial Statements

December 31, 2016 and 2015

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Town of Plattsburgh Local
Development Corporation, Inc.
Plattsburgh, NY:

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Plattsburgh Local Development Corporation, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, 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 the 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 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Plattsburgh Local Development Corporation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years 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 9, 2017 on our consideration of the Town of Plattsburgh Local Development Corporation, Inc.'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 the Town of Plattsburgh Local Development Corporation, Inc.'s internal control over financial reporting and compliance.

*Abbott, Freney & Russell,
CPA's, P.C*

March 9, 2017

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

Statements of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets:		
Cash - operating	\$ 83,282	\$ 65,650
Cash - restricted	70,324	43,760
Loans receivable, current portion (note 2)	44,208	44,021
Interest receivable (note 3)	896	685
Total current assets	<u>198,710</u>	<u>154,116</u>
Other assets:		
Loans receivable, long-term portion (note 2)	<u>82,373</u>	<u>127,713</u>
	<u>\$ 281,083</u>	<u>\$ 281,829</u>
<u>Liabilities and Net Assets</u>		
Liabilities	-	-
Net assets:		
Unrestricted	\$ 210,759	\$ 238,069
Temporarily restricted	70,324	43,760
Total net assets	<u>281,083</u>	<u>281,829</u>
	<u>\$ 281,083</u>	<u>\$ 281,829</u>

See accompanying notes and independent auditors' report.

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

Statements of Activities

For the Years Ended December 31, 2016 and 2015

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total 2016
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Interest on loans	\$ -	6,162	\$ 6,162
Bank interest	40	13	53
Total unrestricted revenues	<u>40</u>	<u>6,175</u>	<u>6,215</u>
Operating expenses:			
Professional fees	6,800	-	6,800
Office expense	161	-	161
Total operating expenses	<u>6,961</u>	<u> </u>	<u>6,961</u>
Increase (decrease) in net assets	(6,921)	6,175	(746)
Net assets, beginning of year	238,069	43,760	281,829
Transfer of net assets	24,528	(24,528)	-
Loans disbursed	-	-	-
Loan repayments received	<u>(44,917)</u>	<u>44,917</u>	<u>-</u>
Net assets, end of year	<u>\$ 210,759</u>	<u>70,324</u>	<u>\$ 281,083</u>

See accompanying notes and independent auditors' report.

Exhibit B

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total 2015</u>
Operating revenues:			
Interest on loans	\$ -	1,766	\$ 1,766
Bank interest	32	51	83
Total unrestricted revenues	<u>32</u>	<u>1,817</u>	<u>1,849</u>
Operating expenses:			
Loan interest reduction	3,578	-	3,578
Professional fees	1,750	-	1,750
Office expense	31	-	31
Total operating expenses	<u>5,359</u>	<u>-</u>	<u>5,359</u>
Increase (decrease) in net assets	(5,327)	1,817	(3,510)
Net assets, beginning of year	126,327	159,012	285,339
Transfer of net assets	22,738	(22,738)	-
Loans disbursed	117,500	(117,500)	-
Loan repayments received	<u>(23,169)</u>	<u>23,169</u>	<u>-</u>
Net assets, end of year	<u>\$ 238,069</u>	<u>43,760</u>	<u>\$ 281,829</u>

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (746)	\$ (3,510)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Loan interest reduction	-	3,578
Decrease (increase) in assets:		
Loans receivable	45,153	(94,331)
Interest receivable	(211)	(408)
Net cash provided (used) by operating activities	<u>44,196</u>	<u>(94,671)</u>
Cash and cash equivalents, beginning of year	<u>109,410</u>	<u>204,081</u>
Cash and cash equivalents, end of year	<u>\$ 153,606</u>	<u>\$ 109,410</u>

See accompanying notes and independent auditors' report.

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

Notes to Financial Statements

December 31, 2016 and 2015

(1) Summary of Significant Accounting Policies:

Organization - The Town of Plattsburgh Local Development Corporation, Inc. was incorporated in March, 2005 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities and to encourage the development or retention of industry in the Town of Plattsburgh, New York. This is accomplished by making loans to local businesses and obtaining grants to enhance redevelopment, as well as further development of the Town of Plattsburgh, NY.

Basis of Accounting - The financial statements of the Town of Plattsburgh Local Development Corporation, Inc. have been prepared on the accrual basis whereby revenues are recorded when earned and expenditures when incurred.

Financial Statement Presentation - The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Permanently restricted net assets include contributions which donors have specified must be maintained in perpetuity. The related income may be expended for a purpose specified by the donor. If no purpose is specified, the Board of Directors may designate the purpose.

Temporarily restricted net assets are comprised of funds that are restricted by donors for specific purposes or time periods.

Unrestricted net assets represent funds that are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or operations.

Donated Materials, Facilities, and Assets – Donated materials, facilities, and assets, when received, are reflected as contributions in the accompanying financial statements at their estimated fair market values at date of receipt.

Cash and Cash Equivalents - For purposes of the statements of cash flows, The Town of Plattsburgh Local Development Corporation, Inc. considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Loans Receivable - Loans receivable are carried at their estimated collectible amounts. Interest income is recognized using the interest method.

Bad debts are written off under the direct write-off method. Recoveries are reflected in income when received. Management does not feel that a reserve for bad debts is required at this time.

Concentrations of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and loans receivable. The Organization maintains its cash balances in two financial institutions. The accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation at each institution. At December 31, 2016 and 2015 the Organization had no uninsured deposits.

The Organization extends credit to its customers. Although all of its customers are located in New York, the Organization does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its customers.

Revenue Recognition - The Town of Plattsburgh Local Development Corporation, Inc.'s sources of operating revenue is from interest payments on loans issued and grant revenue. The primary source of non-operating revenue is interest earned on excess cash deposits.

Income Taxes - The Town of Plattsburgh Local Development Corporation, Inc. is exempt from income taxes as a not-for-profit corporation under tax section 501(c)(3) as determined by the Internal Revenue Service. Accordingly, these financial statements do not reflect a provision for income taxes.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements and related disclosures.

The Organization is no longer subject to income tax examinations by tax authorities for tax years before 2013.

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.

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Loans Receivable :

Loans receivable at December 31, 2016 and 2015 consist of the following:

Cedar Knoll - loaned \$169,800 in January 2005, interest at 1%, monthly principal and interest payment of \$1,487.52, maturing May 2018.	<u>2016</u>	<u>2015</u>
	\$ 28,584	\$ 47,515
Pizza Palace - loaned \$30,000 in May 2012, interest at 3%, monthly principal and interest payment of \$574.48, maturing May 2017. In 2016 and 2015 only received principal payments per loan agreement.	3,417	10,099
SterRx, LLC - loaned \$87,500 in October 2015, interest at 5.25%, monthly principal and interest payment of \$1,661.27 maturing October 2020.	70,437	86,222
Mac's Safe & Lock - loaned \$30,000 in May 2015, interest at 5.25%, monthly principal and interest payment of \$427.57, maturing May 2022.	<u>24,143</u>	<u>27,898</u>
	126,581	171,734
Less current portion	<u>44,208</u>	<u>44,021</u>
Long-term portion	\$ <u>82,373</u>	\$ <u>127,713</u>

(3) Interest Receivable:

The Organization entered into a loan agreement in May of 2012 with Pizza Palace. Per the loan agreement, if Pizza Palace meets certain required criteria then payment of principal only is required. The Organization does accrue interest at a rate of 3% and 10% per annum on the outstanding principal balance in accordance with the loan agreements. For the years ended December 31, 2016 and 2015, the amount of interest receivable was \$896 and \$685 respectively.

(4) Subsequent Events:

The date to which events occurring after December 31, 2016, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is March 9, 2017, which is the date on which the financial statements were available to be issued. Management feels that no further disclosures are required.



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
Town of Plattsburgh Local
Development Corporation, Inc.
Plattsburgh, 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 the Town of Plattsburgh Local Development Corporation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and cash flows the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Plattsburgh Local Development Corporation, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Plattsburgh Local Development Corporation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Plattsburgh Local Development Corporation, Inc.'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 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. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses. See items 16-01, 16-02 and 16-03.

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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Plattsburgh Local Development Corporation, Inc.'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*.

Town of Plattsburgh Local Development Corporation, Inc.'s Response to Findings

The Town of Plattsburgh Local Development Corporation, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Plattsburgh Local Development Corporation, Inc.'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abbott, Frenyea & Russell
CPA's, P.C.

March 9, 2017

TOWN OF PLATTSBURGH LOCAL DEVELOPMENT CORPORATION, INC.

Schedule of Findings and Responses

December 31, 2016 and 2015

16-01:

The Organization has inadequate segregation of duties over financial reporting.

The Organization hired a Chief Financial Officer which allows for more segregation of duties and additional monitoring.

16-02:

The Organization does not reconcile deposits with the books, bank statement and loan amortization schedules on a regular basis which caused the books to not agree to accounting records.

The Organization will work to reconcile transactions on a timelier basis.

16-03:

QuickBooks activity is posted all though journal entries and not as individual items.

QuickBooks activity will be posted in the future at the transaction level.