

Financial Statements

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

Years Ended December 31, 2011 and 2010

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 statement of financial position of the Jamestown Local Development Corporation, a component unit of the City of Jamestown, New York as of and for the years ended December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2011 and 2010, 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.

In accordance with Government Auditing Standards, I have also issued a report dated March 23, 2012, 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.

In accordance with New York State Public Authorities Law, I have also issued a report dated March 23, 2012, 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 23, 2012

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents:		
Checking (Note 2)	\$ 38,532	\$ 562,753
Interest bearing deposits (Note 3)	<u>2,835,109</u>	<u>2,550,830</u>
Total cash and cash equivalents	<u>2,873,641</u>	<u>3,113,583</u>
Grant receivable (Note 4)	325,500	-
Loans receivable, (net of allowance of \$713,523 for 2011 and \$722,861 for 2010) (Note 5)	<u>1,333,807</u>	<u>1,405,163</u>
Total assets	<u>\$ 4,532,948</u>	<u>\$ 4,518,746</u>
<u>Liabilities</u>		
Account payable and accrued expenses	<u>\$ -</u>	<u>\$ 39,863</u>
Total liabilities	<u>-</u>	<u>39,863</u>
<u>Net Assets</u>		
Temporarily restricted (Note 8)	<u>4,532,948</u>	<u>4,478,883</u>
Total net assets	<u>4,532,948</u>	<u>4,478,883</u>
Total liabilities and net assets	<u>\$ 4,532,948</u>	<u>\$ 4,518,746</u>

See the accompanying notes to financial statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Interest income:		
Loans	\$ 66,773	\$ 90,708
Interest bearing deposits	7,278	7,038
Recovery of bad debts	9,338	2,261
Grant - New York State Office of Parks, Recreation, and Historic Preservation (Note 4)	325,500	-
Loan application and late fees	875	1,208
Local sources	-	1,122
Total revenues	<u>409,764</u>	<u>102,337</u>
Expenditures:		
Economic development - Gateway Train Station (Note 4)	224,646	-
Administration (Note 6)	125,000	140,000
Miscellaneous	4,552	706
Computer programming	1,341	1,269
Office expense	160	203
Total expenditures	<u>355,699</u>	<u>142,178</u>
Change in net assets	54,065	(39,841)
Temporarily restricted net assets, beginning of year	<u>4,478,883</u>	<u>4,518,724</u>
Temporarily restricted net assets, end of year	<u>\$ 4,532,948</u>	<u>\$ 4,478,883</u>

See the accompanying notes to financial statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash received from interest on loans	\$ 66,773	\$ 90,708
Cash received from interest bearing deposits	7,278	7,038
Cash received from loan applications and late fees	875	1,208
Cash received from local sources and other	-	10,985
Cash paid for administration	(155,000)	(130,000)
Cash paid to vendors	<u>(240,562)</u>	<u>(2,419)</u>
Net cash used in operating activities	<u>(320,636)</u>	<u>(22,480)</u>
 Cash Flows from Noncapital Financing Activities:		
Principal payments received on loans, net of loan advances	<u>80,694</u>	<u>537,665</u>
Net cash provided by noncapital financing activities	<u>80,694</u>	<u>537,665</u>
 Net (decrease) increase in cash and cash equivalents	 (239,942)	 515,185
 Cash and cash equivalents, beginning of year	 <u>3,113,583</u>	 <u>2,598,398</u>
 Cash and cash equivalents, end of year	 <u>\$ 2,873,641</u>	 <u>\$ 3,113,583</u>
 Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 54,065	\$ (39,841)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>		
Grant receivable	(325,500)	-
Bad debt recovery	(9,338)	(2,261)
Accounts payable and accrued expenses	<u>(39,863)</u>	<u>19,622</u>
Net cash used in operating activities	<u>\$ (320,636)</u>	<u>\$ (22,480)</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 for non-profit organizations. Non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets:

Unrestricted net assets - Represents resources recognized as unrestricted and/or resources generated by sources, which are expendable and available to support operations. The Corporation has no unrestricted net assets.

Temporarily restricted net assets - Represents resources recognized as restricted support until such time when all associated restrictions have been met. All of the Corporation's net assets are temporarily restricted.

Permanently restricted net assets - Represents resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a specified manner. The Corporation has no permanently restricted net assets.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

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

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 23, 2012, the date the financial statements were available to be issued.

NOTE 2 - CHECKING

As of December 31, 2011 and 2010, cash and cash equivalents included bank deposits of \$38,532 and \$562,753, respectively. At December 31, 2011 and 2010, the Corporation's accounts were covered 100% by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 - INTEREST BEARING DEPOSITS

As of December 31, 2011 and 2010, cash and cash equivalents included interest bearing deposits of \$2,835,109 and \$2,550,830, respectively. These deposits are pooled with other monies administered by the City of Jamestown, New York's Department of Development.

NOTE 4 - GRANT RECEIVABLE

As of December 31, 2011, the Agency maintains a grant receivable of \$325,500 from the New York State Office of Parks, Recreation, and Historic Preservation for renovations to the Gateway Train Station. The grant receivable is anticipated to be received during 2012.

Expenditures made pursuant to the aforementioned grant agreement totaled \$224,646 for the year ended December 31, 2011.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSS

As of December 31, 2011 and 2010, loans receivable were summarized as follows:

	<u>2011</u>	<u>2010</u>
Loans	\$ 2,047,330	\$ 2,128,024
Less: Allowance for loan losses	<u>(713,523)</u>	<u>(722,861)</u>
Loans receivable, net	<u>\$ 1,333,807</u>	<u>\$ 1,405,163</u>

Allowance for Loan Loss

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ (722,861)	\$ (905,985)
Recovery of loan losses	9,338	2,261
Loans charged off	<u>-</u>	<u>180,863</u>
Balance, end of year	<u>\$ (713,523)</u>	<u>\$ (722,861)</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 \$125,000 for the year ended December 31, 2011 and \$140,000 for the year ended December 31, 2010.

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, 2011 and 2010.

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 - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2011 and 2010, temporarily restricted net assets were available for the following purposes:

	<u>2011</u>	<u>2010</u>
Economic Development	\$ 4,432,094	\$ 4,478,883
Gateway Train Station	<u>100,854</u>	<u>-</u>
	<u>\$ 4,532,948</u>	<u>\$ 4,478,883</u>

**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, 2011 and 2010, and have issued my report thereon dated March 23, 2012. 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 23, 2012.

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 23, 2012

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, 2011 and 2010. 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, 2011 and 2010 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 23, 2012 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 23, 2012.

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 23, 2012