CITY OF KINGSTON
LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of
the City of Kingston, New York)

Financial Statements and
Independent Auditors' Report

December 31, 2023

CITY OF KINGSTON
LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the City of Kingston, New York)

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EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
City of Kingston Local Development Corporation:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the City of Kingston Local Development Corporation (KLDC) (a discretely presented component unit of the City of Kingston, New York), as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise KLDC's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KLDC, as of December 31, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KLDC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KLDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KLDC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods 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 25, 2024 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 solely 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 the effectiveness of KLDC's 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 KDLC's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 25, 2024

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the City of Kingston, New York)

Management's Discussion and Analysis

December 31, 2023

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 year ended December 31, 2023. 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. KLDC is a discretely presented component unit of the City of Kingston, New York (the City).

Budget

KLDC occasionally receives grants, with a minimal amount of operating income, to extend its programs. Various grants and loans provide economic assistance in the City. 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.

Overview of the Financial Statements

These financial statements are designed to provide readers with a broad overview of KLDC. These statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). KLDC's financial statements comprise two components: the financial statements (a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows) and the notes to financial statements.

The Statement of Net Position presents information on all of KLDC's assets and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of KLDC is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Position present information showing how KLDC's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the accrual for accounts payable is expensed in a current year and recorded as a liability on the Statement of Net Position for payout at a future date).

The Statement of Cash Flows is reported on the direct method. The direct method of cash flow reporting portrays net cash provided or used from operating, investing, capital and non-capital financing activities.

KLDC reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. KLDC is a component unit of the City. Therefore, the results of KLDC's operations, its net position and cash flows are also summarized in the City's Government-Wide financial statements.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

KLDC's net position increased by $210,862 in 2023. This was due to an increases in rental activities and interest revenue and a decrease in operating expenses, primarily in miscellaneous expenses, over the prior year. Operating revenue increased by $85,667 and operating expenses decreased by $4,138 for the year. Nonoperating revenue increased by $45,254 compared to the prior year. KLDC's prime objective is administration of certain loan programs, economic development, technical assistance and training, operation of the Kingston Business Park and infrastructure improvement aimed at fostering new job creation which are business-type activities.

The following is a comparative summary of KLDC's financial statements as of and for the years ended December 31, 2023 and 2022:

Statements of Net Position

	2023	2022
Assets:		
Current assets	$ 3,692,682	3,527,307
Noncurrent assets	7,190,974	6,566,760
Total assets	10,883,656	10,094,067
Liabilities - escrow	-	50,000
Deferred inflows of resources - lease	3,767,708	3,138,981
Net position:		
Net investment in capital assets	2,853,186	2,872,752
Unrestricted	4,262,762	4,032,334
Total net position	$ 7,115,948	6,905,086

Statements of Revenue, Expenses and Changes in Net Position

	2023	2022
Operating revenue:		
Lending activities	$ 12,141	24,318
Rental activities	205,522	112,038
Miscellaneous	50,797	46,437
Total operating revenue	268,460	182,793
Operating expenses:		
Lending activities	78,979	86,204
Non-lending	30,000	26,913
Total operating expenses	108,979	113,117
Operating income	159,481	69,676
Nonoperating revenue - interest	51,381	6,127
Change in net position	$ 210,862	75,803

Capital Assets

Capital assets - land and property, net of depreciation	$ 2,853,186	2,872,752

There were no capital asset additions in 2023 or 2022. All changes are related to depreciation expense.

Economic Factors

The KLDC's operations are dependent on collection of loans receivable. Several economic factors beyond the KLDC's control may result in non-performance of collection.

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, P.O. Box 1297, Kingston, New York 12402.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the City of Kingston, New York)

Statement of Net Position

December 31, 2023

Assets	
Current assets:	
Cash and equivalents	$ 2,054,345
Investments	1,546,473
Current installments of loans receivable	65,592
Current installment of lease receivable	25,800
Prepaid expenses	472
Total current assets	3,692,682
Noncurrent assets:	
Loans receivable, less current installments and net of allowance for doubtful accounts of $10,000	178,286
Lease receivable, less current installments	4,159,502
Capital assets, net of accumulated depreciation of $1,525,394	2,853,186
Total noncurrent assets	7,190,974
Total assets	10,883,656
Deferred Inflows of Resources and Net Position	
Deferred inflows of resources - lease	3,767,708
Net position:	
Net investment in capital assets	2,853,186
Unrestricted	4,262,762
Total net position	$ 7,115,948

See accompanying notes to financial statements.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
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Statement of Revenue, Expenses and Changes in Net Position

Year ended December 31, 2023

Operating revenue:	
Lending activities	$ 12,141
Rental activities	205,522
Miscellaneous	50,797
Total operating revenue	268,460
Operating expenses:	
Professional fees	20,298
Depreciation	19,566
Insurance	5,757
Office expenses	5,953
Promotional/marketing	1,997
Personal services and benefits	30,000
Utilities	24,520
Miscellaneous	888
Total operating expenses	108,979
Operating income	159,481
Nonoperating revenue - interest:	
Cash and equivalents	4,908
Investments	46,473
Total nonoperating revenue	51,381
Change in net position	210,862
Net position at beginning of year	6,905,086
Net position at end of year	$ 7,115,948

See accompanying notes to financial statements.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the City of Kingston, New York)

Statement of Cash Flows

Year ended December 31, 2023

Cash flows from operating activities:	
Cash received from lending activities	$ 83,089
Cash received from rental activities	109,506
Cash received from other sources	797
Payment of operating expenses	(89,413)
Net cash provided by operating activities	103,979
Cash flows from investing activities:	
Interest revenue on cash and equivalents	4,908
Purchases of investments	(1,500,000)
Net cash used in investing activities	(1,495,092)
Change in cash and equivalents	(1,391,113)
Cash and equivalents at beginning of year	3,445,458
Cash and equivalents at end of year	$ 2,054,345
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	159,481
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	19,566
Change in allowance for doubtful accounts	(22,952)
Changes in:	
Loans receivable	93,900
Lease receivable	(724,743)
Escrow payable	(50,000)
Deferred inflows of resources - lease	628,727
Net cash provided by operating activities	$ 103,979

See accompanying notes to financial statements.

CITY OF KINGSTON LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the City of Kingston, New York)

Notes to Financial Statements

December 31, 2023

(1) Organization

The City of Kingston Local Development Corporation (KLDC), in the City of Kingston, New York (the City), 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.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Accounting

For purposes of applying accounting and financial reporting standards, KLDC is considered a governmental entity and a discretely presented component unit of the City since all board members are appointed by the Mayor. As such, KLDC has implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements are prepared using the full accrual basis for all activities. Operating revenue and expenses result from providing lending services and also operation of a business park.

(b) Net Position

KLDC's resources are classified into the following net position categories:

Net investment in capital assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt, if any, attributable to the acquisition, construction, or improvement of those assets.

Restricted - non-expendable - Net position subject to externally imposed stipulations requiring KLDC to maintain them in perpetuity.

Restricted - expendable - Net position whose use is subject to externally imposed stipulations that can be fulfilled by the actions of KLDC or the passage of time.

(2) Summary of Significant Accounting Policies, Continued

(b) Net Position, Continued

Unrestricted - All other net position, including net position designated by actions, if any, of KLDC's Board of Directors.

(c) Estimates

The preparation of financial statements in accordance with 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 revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

(d) Cash and Equivalents

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

(e) Investments

For purposes of presenting the statement of cash flows, the KLDC considers all highly liquid short-term investments with an original maturity of three months or less from date of purchase to be cash or cash equivalents.

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the KLDC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(2) Summary of Significant Accounting Policies, Continued

(e) Investments, Continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The KLDC assess the levels of the investments at each measurement date, and transfers between levels recognized on the actual date of the event or change in circumstances that caused the transfers between levels of the fair value hierarchy.

(f) Loans Receivable and Allowance for Doubtful Loans

Loans receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income and commitment fees on loans are accrued as earned. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs. The allowance for uncollectible loans amounted to $10,000 as of December 31, 2023.

(g) 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 capital assets is provided on the straight-line method.

(h) Accounting for Leases

KLDC implemented GASB Statement No. 87 - "Leases," which provides guidance for identifying certain leased assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows based on payment provisions of the contract.

(i) 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).

(2) Summary of Significant Accounting Policies, Continued

(i) Income Tax Status, Continued

KLDC reviews the components of revenue, 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 GAAP. KLDC files Federal and New York State information tax returns. The tax years that remain subject to examination by authorities are generally the previous three years.

(j) Subsequent Events

Subsequent events were evaluated through the date of the report which is the date the financial statements were available to be issued.

(3) Cash and Equivalents

KLDC maintains its cash balances at one financial institution. Accounts 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:

	Bank Balance	Insured by FDIC	Collateralized Custodial Bank	Uncovered
Catskill Hudson Bank	$ 2,063,547	250,000	3,427,222	-

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

(4) Loans Receivable

Revolving Loan Funds

KLDC issues 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. 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, 2023 is as follows:

(4) Loans Receivable, Continued

	Balance January 1, 2023	Loans Issued	Loan Payments	Balance December 31, 2023
CDRLF	$ 104,161	-	(8,018)	96,143
KRLF	32,506	-	(32,506)	-
Section 108	175,147	-	(40,192)	134,955
Facade improvement	8,073	-	(5,276)	2,797
COVID-19 Micro	27,891	-	(7,908)	19,983
	347,778	-	(93,900)	253,878
Allowance for estimated losses	(32,952)		22,952	(10,000)
Net	$ 314,826			243,878
Current installments	60,588			65,592
Noncurrent, net	254,238			178,286
Net	$ 314,826			243,878

(5) Lease Receivable

KLDC entered into an agreement with Huck International in May 1997 for the Kingston Business Park (KBP). The lease expired in 2016 but was extended ten years to 2026. The lessee has options to extend the lease for six additional ten year periods (60 years) and one additional nine year term for a total of 69 years. If exercised, the lease will expire in 2096.

As of December 31, 2023, the present value of the lease receivable measured using an interest rate of 2.0% was $4,185,302. The lease was re-valued in 2023 as annual payments received increased from $90,000 to $109,507.

The following is the amortization schedule for the lease receivable:

(5) Lease Receivable, Continued

Year ending	Principal	Interest	Total
2024	$ 25,800	83,706	109,506
2025	26,316	83,190	109,506
2026	26,843	82,663	109,506
2027	27,380	82,126	109,506
2028	27,927	81,579	109,506
2029 - 2033	148,241	399,291	547,532
2034 - 2038	163,670	383,862	547,532
2039 - 2043	180,705	366,827	547,532
2044 - 2048	199,513	348,019	547,532
2049 - 2053	220,279	327,253	547,532
2054 - 2058	243,205	304,327	547,532
2059 - 2063	268,519	279,013	547,532
2064 - 2068	296,466	251,066	547,532
2069 - 2073	327,323	220,209	547,532
2074 - 2078	361,390	186,142	547,532
2079 - 2083	399,004	148,528	547,532
2084 - 2088	440,533	106,999	547,532
2089 - 2093	486,384	61,148	547,532
2094 - 2096	315,804	12,715	328,519
	$ 4,185,302	3,808,663	7,993,965

(5) Lease Receivable, Continued

The following is the amortization schedule for the corresponding deferred inflows of resources:

Year ending	
2024	$ 51,612
2025	51,612
2026	51,612
2027	51,612
2028	51,612
2029 - 2033	258,060
2034 - 2038	258,060
2039 - 2043	258,060
2044 - 2048	258,060
2049 - 2053	258,060
2054 - 2058	258,060
2059 - 2063	258,060
2064 - 2068	258,060
2069 - 2073	258,060
2074 - 2078	258,060
2079 - 2083	258,060
2084 - 2088	258,060
2089 - 2093	258,060
2094 - 2096	154,868
	$ 3,767,708

(6) Capital Assets

Capital asset of activity for the year ended December 31, 2023 was as follows:

	Balance at January 1, 2023	Additions	Deletions	Balance at December 31, 2023
Kingston Business Park				
Land	$ 2,784,953	-	-	2,784,953
Depreciable assets - improvements	1,593,627	-	-	1,593,627
Total	4,378,580	-	-	4,378,580
Less accumulated depreciation - improvements	(1,505,828)	(19,566)	-	(1,525,394)
Total KBP	$ 2,872,752	(19,566)	-	2,853,186

(7) Related Party Transactions

KLDC's staff members are employees of the City's Office of Community Development. Staffs' salary is based on estimated time spent on KLDC's activities.

(8) Financial Instruments With Concentration of Credit Risk

(a) Cash and 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 KLDC 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, 2023.

(b) Notes Receivable

Notes receivable consists of numerous notes with businesses in the City. 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.

(9) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years. beginning after June 15, 2023.

Statement No. 102 - Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

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

The Board of Directors
City of Kingston Local Development Corporation:

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 City of Kingston Local Development Corporation (KLDC), (a discretely presented component unit of the City of Kingston, New York) as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise KLDC's financial statements, and have issued our report thereon dated March 25, 2024.

Report on 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) as a basis for designing 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 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. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 25, 2024

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors
City of Kingston Local Development Corporation:

We have examined the compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of New York State related to investments (investment guidelines) of the City of Kingston Local Development Corporation (the Corporation) for the year ended December 31, 2023. The Corporation's management is responsible for the Corporation's compliance with the specified requirements.

Our responsibility is to express an opinion on the Corporation's compliance with the specified requirements based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied with the specified requirements, in all material respects.

An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination disclosed that the Corporation's investment policy is missing required information for both performance evaluation and audit as well as reporting in accordance with Section 201.3(b)(2) of the investment guidelines.

In our opinion, except for the deviation from the investment guidelines described in the preceding paragraph, the Corporation complied with the investment guidelines for the year ended December 31, 2023, in all material respects.

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REPORT TO THE BOARD

March 25, 2024

The Board of Directors
City of Kingston Local Development Corporation

Dear Board Members:

We have audited the financial statements of the City of Kingston Local Development Corporation (KLDC) (a discretely presented component unit of the City of Kingston, New York) for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by KLDC are described in note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2023. We noted no transactions entered into by KLDC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

For the year ended December 31, 2023, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to KLDC's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as KLDC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

This information is intended solely for the use of the Board of Directors and management of the City of Kingston Local Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC