# 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, 2021

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

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors
City of Kingston Local Development Corporation
Kingston, New York

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of the City of Kingston Local Development Corporation (KLDC) (a component unit of the City of Kingston), as of and for the year ended December 31, 2021, 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, 2021, 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 August 19, 2022 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
August 19, 2022

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, 2021

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, 2021. 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.

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 of Kingston (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, 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 decreased by $76,275 in 2021. This was due to an increase in operating expenses, as a result of an increase in interest and professional service expenses over the prior year. Operating revenue decreased by $3,489 and operating expenses increased by $91,572 for the year. Nonoperating revenue decreased by $114 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. Since KLDC conducts only business-type activities, this annual report consists only of the Statements of Net Position, Revenue, Expenses and Changes in Net Position and Cash Flows, which provide information about the activities of KLDC.

The following is a comparative summary of KLDC's financial statements as of and for the years ended December 31, 2021 and 2020:

Statements of Net Position

| | | 2021 | 2020 |
|---|---|---|---|
| Assets: | | | |
| Current assets | $ | 3,271,987 | 3,616,219 |
| Noncurrent assets | | 3,331,684 | 3,541,253 |
| Total assets | | 6,603,671 | 7,157,472 |
| Liabilities: | | | |
| Loans payable | | 19,661 | 547,187 |
| Other current liabilities | | 54,267 | 4,267 |
| Total liabilities | | 73,928 | 551,454 |
| Net position: | | | |
| Net investment in capital assets | | 2,872,138 | 2,863,141 |
| Restricted | | 212,922 | 568,117 |
| Unrestricted | | 3,444,683 | 3,174,760 |
| Total net position | $ | 6,529,743 | 6,606,018 |

Statements of Revenue, Expenses and Changes in Net Position

| | | 2021 | 2020 |
|---|---|---|---|
| Operating revenue: | | | |
| Lending activities | $ | 29,157 | 30,520 |
| Kingston Business Park | | 90,000 | 90,492 |
| Bad debt recovery | | - | 1,634 |
| Total operating revenue | | 119,157 | 122,646 |
| Operating expenses: | | | |
| Lending activities | | 167,572 | 74,628 |
| Kingston Business Park | | 34,413 | 35,785 |
| Total operating expenses | | 201,985 | 110,413 |
| Net operating income (loss) | | (82,828) | 12,233 |
| Nonoperating revenue - interest | | 6,553 | 6,667 |
| Change in net position | $ | (76,275) | 18,900 |

Capital Assets

| | | | |
|---|---|---|---|
| Capital assets - land and property, net of depreciation | $ | 2,891,799 | 2,910,328 |

Loans Payable

| | | | |
|---|---|---|---|
| Loans payable: | | | |
| DOT (Kingston Business Park) | $ | 19,661 | 47,187 |
| HUD Loans | | - | 500,000 |
| Total loans payable | $ | 19,661 | 547,187 |

Economic Factors

As discussed in note 2(i) to the financial statements, management has analyzed and discussed the impacts of the COVID-19 pandemic and has determined that the loan portfolio could be negatively impacted in future years.

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, 2021

| | |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and equivalents: | |
| Unrestricted | $ 2,934,424 |
| Restricted | 212,922 |
| Total cash and equivalents | 3,147,346 |
| Grants receivable | 19,661 |
| Current installments of loans receivable | 104,508 |
| Prepaid expenses | 472 |
| Total current assets | 3,271,987 |
| Noncurrent assets: | |
| Loans receivable, less current installments and net of allowance for doubtful loans of $32,952 | 439,885 |
| Capital assets, net of accumulated depreciation of $1,486,781 | 2,891,799 |
| Total noncurrent assets | 3,331,684 |
| Total assets | 6,603,671 |
| **Liabilities and Net Position** | |
| Current liabilities: | |
| Accrued liabilities | 4,267 |
| Loan payable | 19,661 |
| Other current liabilities | 50,000 |
| Total liabilities | 73,928 |
| Net position: | |
| Net investment in capital assets | 2,872,138 |
| Restricted | 212,922 |
| Unrestricted | 3,444,683 |
| Total net position | $ 6,529,743 |

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 Revenue, Expenses and Changes in Net Position

Year ended December 31, 2021

| | |
|---|---|
| Operating revenue: | |
| Lending activities | $ 29,157 |
| Rental activities | 90,000 |
| Total operating revenue | 119,157 |
| Operating expenses: | |
| Professional fees | 81,836 |
| Depreciation | 18,529 |
| Insurance | 5,074 |
| Interest | 32,150 |
| Office expenses | 2,202 |
| Promotional/marketing | 1,716 |
| Personal services and benefits | 34,413 |
| Utilities | 7,021 |
| Miscellaneous | 19,044 |
| Total expenses | 201,985 |
| Operating loss | (82,828) |
| Nonoperating revenue - interest | 6,553 |
| Change in net position | (76,275) |
| Net position at beginning of year | 6,606,018 |
| Net position at end of year | $ 6,529,743 |

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, 2021

| | |
|---|---|
| Cash flows from operating activities: | |
| Cash received from lending activities | $ 243,430 |
| Cash received from rental activities | 90,000 |
| Payment of operating expenses | (133,455) |
| Net cash provided by operating activities | 199,975 |
| Cash flows from capital and financing activities - principal paid on debt loan payable | (527,526) |
| Cash flows from investing activities - interest | 6,553 |
| Net change in cash and equivalents | (320,998) |
| Cash and equivalents at beginning of year | 3,468,344 |
| Cash and equivalents at end of year | $ 3,147,346 |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | (82,828) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 18,529 |
| Decrease in allowance for doubtful loans | (5,074) |
| Changes in: | |
| Loans receivable | 219,348 |
| Other current liabilities | 50,000 |
| Net cash provided by operating activities | $ 199,975 |

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, 2021

## (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 conformity 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 revenues 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) 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 $32,952 as of December 31, 2021.

(f) 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

(2) Summary of Significant Accounting Policies, Continued

(g) 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).

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.

(h) Subsequent Events

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

(i) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on KLDC and its future results and financial position is not presently determinable, however, management has discussed KLDC's operations and on-going impact. They have determined that KLDC's loan portfolio and rental activities could be impacted but, they believe the allowance for bad debt is sufficient to cover any potential loan losses. KLDC is closely monitoring its operations, liquidity, capital resources, and is actively working to minimize the current impact of this unprecedented situation.

(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 | $ 3,174,510 | 250,000 | 2,975,368 | - |

(4) Restricted Cash

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

(5) 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, 2021 is as follows:

| | Balance January 1, 2021 | Loans Issued | Loan Payments | Balance December 31, 2021 |
|---|---|---|---|---|
| CDRLF | $ 151,330 | - | (13,744) | 137,586 |
| KRLF | 38,026 | - | (26,866) | 11,160 |
| Section 108 | 518,533 | - | (152,669) | 365,864 |
| EDI | 5,625 | - | (5,625) | - |
| Micro | 1,734 | - | - | 1,734 |
| Facade improvement | 29,425 | - | (8,741) | 20,684 |
| COVID-19 Micro | 52,020 | - | (11,703) | 40,317 |
| | 796,693 | - | (219,348) | 577,345 |
| Allowance for estimated losses | (38,026) | - | 5,074 | (32,952) |
| Net | $ 758,667 | - | (214,274) | 544,393 |
| Current installments | 127,742 | | | 104,508 |
| Noncurrent, net | 630,925 | | | 439,885 |
| Net | $ 758,667 | | | 544,393 |

(6) Grants receivable

To offset the $19,661 retainage of the $157,294 debt (see note (8)), the New York State Department of Transportation (DOT) Revenue Unit agreed to repay the amount in lieu of their debt. The repayment is pending.

(7) Capital Assets

Capital asset of activity for the year ended December 31, 2021 was as follows:

| | Balance at January 1, 2021 | Additions | Deletions | Balance at December 31, 2021 |
|---|---|---|---|---|
| Kingston Business Park (KBP) | | | | |
| 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 | (1,468,252) | (18,529) | - | (1,486,781) |
| Total KBP | $ 2,910,328 | (18,529) | - | 2,891,799 |

KLDC owns and operates the KBP. Phase 1 of the KBP was substantially completed during 1997. The first tenant, Huck International, moved into its facility in May 1997. The lease was for 20 years and has been extended for 10 years.

(8) Loans Payable

During 2005, KLDC drew down $5,359,000 under the Section 108 loan guarantee program. The first principal payment on this loan was paid in August 2008 with varying amounts due through 2025. This loan was paid in full during the year ended December 31, 2021.

KLDC has drawn down $157,290 from DOT as part of financing Phase 1 of the KBP. The loan is interest-free and was expected to be paid in varying amounts over five years. Repayment had been deferred several years but started in 2017. At December 31, 2021, the outstanding balance was $19,661. KLDC is paying the balance in the 2022 fiscal year.

(9) Related Party Transactions

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

(10) Federal And State Aid

KLDC has received federal and state aid and grants that are subject to audits by agencies of the federal and state governments. Such audits may result in disallowances and a request for a return of funds to the federal and state governments. KLDC believes disallowances, if any, will be immaterial.

(11) 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 treasurer 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, 2021.

(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.

(12) 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. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

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

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# 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
Kingston, 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 City of Kingston Local Development Corporation (KLDC), as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise KLDC's financial statements, and have issued our report thereon dated August 19, 2022.

## 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
August 19, 2022

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EFPR Group, CPA's, PLLC
6390 Main Street, Suite 200
Williamsville, New York 14221

This representation letter is provided in connection with your audit of the financial statements of City of Kingston Local Development Corporation (KLDC), which comprise the statement of net position as of December 31, 2021, and the related statement of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

**Financial Statements**

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 26, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3) We acknowledge our responsibility 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.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7) All events, including instances of noncompliance, subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed in, the financial statements or in the schedule of findings and questioned costs.
8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
10) Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

**Information Provided**

11) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   d) Minutes of the meetings of the KLDC's Board of Director or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves—

   a) Management,

   b) Employees who have significant roles in internal control, or

   c) Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting KLDC's financial statements communicated by employees, former employees, grantors, regulators, or others.

16) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the names of all of the entity's related parties and all the related-party relationships and transactions, including any side agreements.

19) KLDC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

21) KLDC is considered an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

22) In regard to the nonattest services performed by you, we have-

   a) Assumed all management responsibilities.

   b) Designated an individual within senior management who has suitable, skill, knowledge, or experience to oversee the services.

   c) Evaluate the adequacy and results of the services performed.

   d) Accept responsibility for the results of the services.

Signature: _____

Title: Executive Director