

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

**(A Blended Component Unit of the City of
Binghamton, New York)**

**Financial Statements as of
August 31, 2019**

**Together with Independent
Auditor's Report and Report on *Government Auditing
Standards***

Bonadio & Co., LLP
Certified Public Accountants

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

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INDEPENDENT AUDITOR'S REPORT

February 18, 2020

To the Board of Directors of the
Binghamton Local Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Binghamton Local Development Corporation (the Corporation), a blended component unit of the City of Binghamton, New York, as of and for the year ended August 31, 2019, which collectively comprise the Corporation's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of August 31, 2019, and the change in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The Schedule of Loans Receivable is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule noted in the previous paragraph has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bonadio & Co., LLP

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020 on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Management's Discussion and Analysis (Unaudited)

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Binghamton Local Development Corporation's (the Corporation's) financial position as of August 31, 2019 and its changes in financial position for the year then ended. This MD&A should be read in conjunction with the financial statements and related footnotes of the Corporation, which directly follow the MD&A.

General Overview

The Corporation is a not-for-profit corporation formed to further sustainable economic development in the City of Binghamton by attracting new business, retaining and growing established businesses, building industrial and commercial capacity, promoting employment, and fostering entrepreneurship and innovation.

Overview of the Financial Statements

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation consists of the following four basic financial statements:

- Statement of Net Position
- Statement of Revenue, Expenses and Change in Net Position
- Statement of Cash Flows

The Statement of Net Position and the Statement of Revenue, Expenses and Change in Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting. Revenues, expenses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, assets and liabilities resulting from non-exchange transactions are recognized when the amounts to be received are measurable and collection is probable. These policies are more fully described in the accompanying notes to the basic financial statements.

Financial Highlights

	Condensed Statement of Net Position (In thousands)	
	<u>2019</u>	<u>2018</u>
Total assets	\$ <u>4,242</u>	\$ <u>3,845</u>
Total liabilities	<u>427</u>	<u>58</u>
Net position	\$ <u>3,815</u>	\$ <u>3,787</u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Management's Discussion and Analysis (Unaudited)

Total Assets

The total assets increased from 2018 to 2019 by approximately \$397,000 primarily due to an increase in loans receivable as well as an increase in land held for sale.

Total Liabilities

The increase in total liabilities from 2018 to 2019 of approximately \$369,000 reflects a decrease deferred revenue of \$54,333, which was offset by an increase in accrued liabilities of \$425,750 associated mostly with the purchase of land held for sale as only \$50,000 of the purchase price was paid as of August 31, 2019.

Condensed Statement of Revenues, Expenses and Change in Net Position
(In thousands)

	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 488	\$ 383
Operating Expenses	<u>462</u>	<u>309</u>
Operating Income	26	74
Non-Operating Revenue	<u>2</u>	<u>-</u>
Change in net position	28	74
Net position - beginning of year	<u>3,787</u>	<u>3,713</u>
Net position - end of year	<u>\$ 3,815</u>	<u>\$ 3,787</u>

Expenses

Expenses incurred in 2019 were greater than expenses incurred in 2018 primarily due to grant expenses and community event expenses resulting from regular operations.

Revenues

Revenues also increased from 2018 to 2019 as a result of increases in interest and fees earned on loans, as well as grant income. The Corporation was provided grant funding through multiple grants in 2019, one of which had the purpose of building renovation and streetscape revitalization with a targeted area of Main Street and Front Street, both within the City of Binghamton.

Grants

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Management's Discussion and Analysis (Unaudited)

Grants provided to the Corporation in 2019 consisted of a grant from the New York State Urban Development Corporation in the amount of \$76,442 to be used for administrative expenses for the Corporation including salaries, fringe benefits, and training, as well as a grant funded through the Regional Economic Development Council in the amount of \$500,000 for the purpose of revitalizing specific areas within the City of Binghamton. This agreement specified amounts to be used for building renovation, streetscape revitalization, and architecture, engineering, and environmental testing.

Contacting the Corporation

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BINGHAMTON LOCAL DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Statements of Net Position
August 31, 2019

ASSETS

CURRENT ASSETS:

Cash	\$	58,857
Restricted cash		1,966,079
Accounts receivable		40,750
Grants receivable		75,810
Loans receivable, net, current portion		<u>523,704</u>

Total current assets 2,665,200

NONCURRENT ASSETS:

Inventory - property held for sale		574,330
Loans receivable, net of current portion and allowance for doubtful accounts of \$327,911		<u>1,001,863</u>

Total noncurrent assets 1,576,193

Total assets 4,241,393

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$	40,750
Accrued liabilities		385,000
Interest liability		<u>891</u>

Total current liabilities 426,641

NET POSITION

Restricted		3,680,087
Unrestricted		<u>134,665</u>

Total net position \$ 3,814,752

The accompanying notes are an integral part of these financial statements.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
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Statement of Cash Flows
August 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees on loans	\$ 57,107
Cash received from grants	254,241
Cash received from miscellaneous sources	43,136
Cash received from payments on loans receivable	171,990
Cash paid for property held for sale	(52,376)
Cash paid to borrowers for loans receivable	(545,001)
Cash paid for grant related expenses	(181,256)
Cash paid to the City (for professional services)	(122,250)
Cash paid for office related expenses and professional services	(35,077)
Cash paid for community sponsored events	(61,791)
Cash paid for miscellaneous expenses	<u>(15,678)</u>
Net cash flows from operating activities	<u>(486,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>2,028</u>
Net cash flows from investing activities	<u>2,028</u>
NET CHANGE IN CASH AND EQUIVALENTS	(484,927)
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,509,863</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,024,936</u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:	
Cash	58,857
Restricted cash	<u>1,966,079</u>
Total	<u>\$ 2,024,936</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Operating income	\$ 25,659
Adjustments to reconcile operating income to net cash flow from operating activities -	
Changes in assets and liabilities:	
Accounts receivable	5,400
Grants receivable	(78,310)
City Loans receivable	(373,745)
Inventory - property held for sale	(437,376)
Loans receivable	-
Accounts payable and interest payable	40,750
Accrued liabilities	385,000
Unearned revenue	<u>(54,333)</u>
Net cash flow from operating activities	<u>\$ (486,955)</u>

The accompanying notes are an integral part of these financial statements.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Notes to Basic Financial Statements

1. ORGANIZATION

The Binghamton Local Development Corporation (the Corporation) is a not-for-profit corporation formed to further sustainable economic development in the City of Binghamton by attracting new business, retaining and growing established businesses, building industrial and commercial capacity, promoting employment and fostering entrepreneurship and innovation.

The Corporation is a not-for-profit corporation, and is a blended component unit of the City of Binghamton, New York (the City) due to the fact that the City appoints the majority of the Corporation's board and the City has the ability to significantly impact the programs of the Corporation. The financial activities of the Corporation are combined with the financial activities of the City in the City's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Corporation operates as a proprietary fund. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) and deferred inflows and outflows associated with their activities are reported. Fund equity is classified as net position. The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory - Property Held for Sale

Amounts listed as property held for sale consist of real estate purchased with the intent to resell. These properties are recorded at cost; unrealized gains or losses related to changes in market value are not recorded.

Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to loans receivable.

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Notes to Basic Financial Statements

Accrued Liabilities

The Corporation acquired a portion of land during the year for an initial cost of \$50,000, of which the agreement stipulates that the remaining amount would be due and payable upon the resale of the parcel. Therefore, a liability of \$385,000 was accrued to reflect this agreement.

Operating Revenues and Non-operating Revenues

The Corporation is funded principally through grants from the City's CDBG program. The Corporation recognizes grant funds for CDBG upon receipt, which coincides with the disbursement of the funds by the Corporation.

The Corporation also receives revenue in the form of repayments on loans originally granted by the City from UDAG program funds. Program income from UDAG loan repayments is recognized as revenue when received.

Non-operating revenues are those related to capital and related financing or investment activities.

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- **Net investment in capital assets** - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other assets that do not meet the definition of net investment in capital assets or restricted net position.

It is the Corporation's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Income Tax Status

The Corporation is a not-for-profit Corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Accounting Basis

The accounting basis used by the Corporation changed from FASB to GASB from the prior year to the current year.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
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Notes to Basic Financial Statements

3. DEPOSITS AND INVESTMENTS

Investment and Deposit Policy

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Executive Director.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. It is the policy of the Corporation to diversify its deposits and investments by maturity scheduling.

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Special time deposit accounts;
- Certificates of Deposit;
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Obligations issued pursuant to New York State Local Finance Law Section 24.00 and 25.00 by any municipality, school district or district corporation located in New York State;
- Obligations of the City, but only with any moneys in a reserve fund established pursuant to General Municipal Law Section 6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

Custodial Credit Risk - Deposits

Custodial credit risk - deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits. The Corporation restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations issued, or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank;
- Obligations partially insured or guaranteed by any agency of the United States of America;
- Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation or school district;

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Notes to Basic Financial Statements

- Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO);
- Obligations of Puerto Rico rated in the highest rating category by at least one NRSRO;
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one NRSRO;
- Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies;
- Commercial paper and bankers' acceptances issued by a bank, other than the bank, rated in the highest short-term category by at least one NRSRO and having maturities of not longer than 60 days from the date they are pledged; and
- Zero coupon obligations of the United States of America marketed as "treasury strips."

The Corporation maintains its accounts at a single financial institution. The Corporation maintained cash balances of approximately \$2,025,000 in cash and cash equivalents at August 31, 2019 with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank for interest bearing and non-interest bearing accounts. The remaining balance at August 31, 2019 was fully collateralized by a third party in accordance with New York State General Municipal Law, Section 10 and the Corporation's policies.

Custodial Credit Risk - Investments

Custodial credit risk - investments is the risk that an entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Corporation's investment and deposit policy requires that all custodial investments be registered or insured in the Corporation's name and held in the custody of the bank or the bank's trust department. The Corporation requires that all repurchase agreements be limited to obligations of the United States of America or obligations whose principal and interest are fully guaranteed, or insured by the United States of America. As of August 31, 2019 the Corporation did not have any investments.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
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Notes to Basic Financial Statements

4. LOANS RECEIVABLE

Loans receivable at August 31, 2019 consisted of the following:

	<u>2019</u>
Total loans receivable, beginning of year	\$ 1,480,467
Loan advances	545,001
Principal repayments	<u>(171,990)</u>
Total loans receivable, end of year	1,853,478
Less: allowance for doubtful accounts	<u>(327,911)</u>
Loans receivable, net of allowance	1,525,567
Less: current portion	<u>(523,704)</u>
Loans receivable, net of current portion	<u>\$ 1,001,863</u>

Future maturities of loans receivable for the year ended August 31, 2019 consisted of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	523,704	48,559	572,263
2021	219,806	41,880	261,686
2022	164,220	37,603	201,823
2023	122,907	32,877	155,784
2024	65,803	28,674	94,477
2025-2029	485,801	86,452	572,253
2030-2034	271,237	21,755	292,992
Total	<u>\$ 1,853,478</u>	<u>\$ 297,800</u>	<u>\$ 2,151,278</u>

The allowance for doubtful accounts has been established for loans of borrowers who have filed for bankruptcy or are otherwise considered doubtful of collection. The allowance of \$327,911 is considered adequate by management to cover all currently delinquent loans, and others which may become doubtful during the year.

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Notes to Basic Financial Statements

5. CITY OF BINGHAMTON AGREEMENT

The Corporation executed and renewed an agreement with the City regarding a contract with the United States Department of Housing and Urban Development (HUD) in connection with the Corporation executing the Community Development Block Grant (CDBG) Program and UDAG funds for various economic development programs. Either party can terminate the agreement with 30 days notice. If the agreement is terminated, all loans outstanding become the property of the City. It is expressly agreed that the total amount paid by the Corporation to the City under this agreement shall not exceed \$163,000 in connection with expenses incurred in executing the CDBG Program including use of office space and personnel. The Corporation had \$40,750 in amounts due and payable, recorded in accounts payable, to the City as of August 31, 2019.

In addition, the Corporation has been allocated funding from the City's CDBG and UDAG funds. Loan repayments from City UDAG program loans are committed for use by the Corporation. The Corporation received \$81,500 in CDBG funds and \$95,083 in other grant revenues. These funds have been received and recognized as grant revenue in the year ending August 31, 2019.

6. COMMITMENTS

At August 31, 2019, the Corporation had approved loans not yet disbursed. These commitments will be funded upon satisfaction of loan provisions by the applicant and availability of funds at the time of closing.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

February 18, 2020

To the Board of Directors of
Binghamton 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 Binghamton Local Development Corporation, a blended component unit of the City of Binghamton, New York (the Corporation) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issue our report thereon dated February 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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, misstatement on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 through 2019-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

Schedule of Findings and Responses For the Year Ended August 31, 2019

Reference Number: 2019-001

Criteria:

Internal controls over financial reporting should be properly designed, documented and implemented to ensure all material transactions are recorded properly in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). In addition, management should identify and document all grant related transactions as incurred, to ensure proper cutoff of related revenues and expenses as well as ensure grant compliance.

Cause/Condition:

The Corporation did not have the adequate policies, procedures and oversight to ensure financial reporting, including grant related activity, was complete, accurate and in accordance with generally accepted accounting principles.

Effect:

A significant number of material audit adjustments were required in order to present the financial statements in accordance with GAAP.

Expenses were increased by approximately \$41,000 while revenues were increased by approximately \$130,000, mostly attributed to unrecorded grant revenue and related receivables. In addition, entries were required to properly present assets and liabilities with a net effect adjustment to opening net position of approximately \$450,000.

Recommendation:

We recommend the Corporation and those charged with governance consider the Corporation's current controls and staff composition. Consideration should be given to reassigning financial reporting responsibilities to the Office of the Comptroller within the City of Binghamton. In addition, we recommend that management and those charged with governance review the current general ledger accounts to ensure adequate classifications exist to identify and record grant expenses. In addition, period reconciliation should be conducted and documented to ensure grant revenues and grant expenses equal. Deferred revenue should be recorded when revenues are in excess of grant related expenses incurred to date, and revenue and a grant receivable should be recorded when grant expenses have been incurred and are deemed allowable and collectability is likely.

Management's Response:

We agree with the auditors' comments. In January 2020, management reassigned the financial reporting responsibilities to the City of Binghamton Comptroller's office. The City of Binghamton Comptroller's Office has begun reviewing and reconciling the general ledger accounts on a monthly basis.

Recommendation:

We recommend that management reviews current budgeting processes to improve budget monitoring practices.

Management's Response:

Management agrees with this finding. This will be discussed with the BLDC Board regarding the City of Binghamton Comptroller's Office being assigned the responsibility of preparing the BLDC annual budget. The City's Comptroller Office will strongly recommend budgets for each program going forward and to be approved prior to the start of the fiscal year.