

DRAFT

**AUDITED
BASIC FINANCIAL STATEMENTS**

BATAVIA DEVELOPMENT CORPORATION

MARCH 31, 2013

BATAVIA DEVELOPMENT CORPORATION

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Basic Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	10-11
Schedule of Findings and Responses	12
Summary Schedule of Prior Year Audit Findings.....	13

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Batavia Development Corporation
City of Batavia, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Batavia Development Corporation (the Corporation) which comprise the statement of net position as of March 31, 2013, and the related statements of revenues, expenses and changes in net position and cash flows, for the year then ended and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of March 31, 2013, and the changes in its net position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement basic financial statements. Such missing 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Batavia, New York
June 26, 2013

BATAVIA DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

March 31,

ASSETS	2013
Current assets:	
Cash and cash equivalents	\$ 57,599
Accounts receivable	5,792
Prepaid expense	<u>1,250</u>
Total assets	<u><u>\$ 64,641</u></u>
 LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 306
Accrued liabilities	1,419
Unearned revenue	<u>37,500</u>
Total liabilities	39,225
 Net position:	
Unrestricted	<u>25,416</u>
Total liabilities and net position	<u><u>\$ 64,641</u></u>

See notes to financial statements.

BATAVIA DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31,

	<u>2013</u>
Operating revenues:	
City of Batavia	\$ 98,462
Total operating revenues	<u>98,462</u>
Operating expenses:	
Salary and benefits	64,975
Insurance	5,216
Office expenses	1,275
Travel	202
Marketing and public relations	2,278
Professional services	2,314
Total operating expenses	<u>76,260</u>
Change in net position	22,202
Net position - beginning of year	<u>3,214</u>
Net position - end of year	<u><u>\$ 25,416</u></u>

See notes to financial statements.

BATAVIA DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31,

	<u>2013</u>
Cash flows from operating activities:	
Cash received from governmental agencies	\$ 94,724
Payments of service providers and suppliers	(13,819)
Payments for employee services	<u>(64,797)</u>
Net cash provided by operating activities	<u>16,108</u>
Net increase in cash and cash equivalents	16,108
Cash and cash equivalents - beginning of year	<u>41,491</u>
Cash and cash equivalents - end of year	<u><u>\$ 57,599</u></u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 22,202
Adjustment to reconcile income from operations to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in:	
Accounts receivable	(3,738)
Prepaid expense	(1,250)
Increase (decrease) in:	
Accounts payable	(1,284)
Accrued liabilities	<u>178</u>
Net cash provided by operating activities	<u><u>\$ 16,108</u></u>

See notes to financial statements.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Batavia Development Corporation (the Corporation) was formed under the Not-for-Profit Corporation Law of the State of New York for the purpose of creating employment opportunities, thereby improving the quality and condition of life in the City of Batavia, New York (the City). This is accomplished by encouraging and affecting the retention of existing business and industry, as well as encouraging the location and expansion of residential, commercial, industrial, and manufacturing facilities in the City. The Corporation is subject to the provisions of the New York State Public Authorities Law. As a local authority under this law, the Corporation is required to make certain information available to the public.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

For financial accounting and reporting purposes, the Corporation follows all pronouncements of the Governmental Accounting Standards Board (GASB), as well as the pronouncements of the Financial Accounting Standards Board (FASB), including those FASB pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Net Position: Net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of the Corporation's obligations. The Corporation's net position is classified as follows:

Net Investment in Capital Assets: This represents the Corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The Corporation did not have any net position in this category at March 31, 2013.

Restricted Net Position: This includes assets in which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The Corporation did not have any restricted net position as of March 31, 2013.

Unrestricted Net Position: Unrestricted net position represent resources derived from operating revenue. These resources are used for transactions relating to the general operations of the Corporation, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Income Taxes: The Corporation is a Public Benefit Corporation of the State of New York and is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made on the accompanying financial statements.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B. CASH AND CASH EQUIVALENTS**

The Corporation's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

C. PREPAID EXPENDITURES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

D. UNEARNED REVENUE

The Corporation reports unearned revenue on its balance sheet. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Corporation before it has legal claim to them. In subsequent periods, when both recognition criteria are met, or when the Corporation has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. As of March 31, 2013, the Corporation recognized a liability for unearned revenue in the amount of \$37,500. This balance relates to revenue received from the City of Batavia for the year ending March 31, 2014.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows, the Corporation considers cash to be all unrestricted cash and cash equivalent accounts.

G. NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended March 31, 2013, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Corporation did not have any assets or liabilities that were required to be reclassified to either deferred outflows or inflows of resources. The Corporation adopted the provisions of the statement by renaming certain balance sheet elements for all periods presented. The adoption of GASB Statement No. 63 did not materially affect the Corporation's financial statements.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, during the year ended March 31, 2013, the Corporation completed the process of evaluating the impact that will result from adopting GASB Statements No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, effective for the year ending March 31, 2013. GASB Statements No. 57, 60, 62 and 64 did not have a material impact on the Corporation's financial position or results from operations.

The GASB has issued the following new statements:

- Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which will be effective for the year ending March 31, 2014;
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for the year ending March 31, 2014;
- Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and 62*, which will be effective for the year ending March 31, 2014;
- Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which will be effective for the year ending March 31, 2015; and
- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending March 31, 2016.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which will be effective for the year ending March 31, 2015.

The Corporation is currently reviewing these statements and plans on adoption, as required.

H. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after June 26, 2013 which is the date these financial statements were available to be issued.

NOTE 3. DEPOSITS AND INVESTMENTS

The Corporation currently follows an investment and deposit policy as directed by State statutes, 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; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Board of Directors.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

Investment and Deposit Policy: The Corporation implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

Interest Rate Risk: Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 it to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. All deposits of the Corporation including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Corporation restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

NOTE 4. RECEIVABLES

Revenues accrued by the Corporation at March 31, 2013, include the following:

New York State Main Street Grant	\$ <u>5,792</u>
----------------------------------	-----------------

NOTE 5. REVENUE AND CONCENTRATIONS

The Corporation receives support and revenue primarily from the City. Support and revenue is recognized as services are performed.

During the year ended March 31, 2013, the Corporation recognized \$98,462 of revenue from the City of Batavia. At March 31, 2013, the Corporation had accounts receivable from the City of \$5,792, as disclosed in Note 4.

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Batavia Development Corporation
City of Batavia, New York

We have audited, 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, the financial statements of the Batavia Development Corporation (the Corporation), as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinion on the financial statements, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.

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.

Batavia, New York
June 26, 2013

BATAVIA DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2012

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings noted in the current year.