

AUDITED
CONSOLIDATED FINANCIAL STATEMENTS

**GENESEE GATEWAY LOCAL
DEVELOPMENT CORPORATION**

DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONTENTS

**SECTION A
FINANCIAL SECTION**

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis | 3-9 |
| Financial Statements | |
| Consolidated Statement of Net Position | A1 |
| Consolidated Statement of Revenues, Expenses and Changes in Net Position | A2 |
| Consolidated Statement of Cash Flows | A3-A4 |
| Notes to Financial Statements | A5-A13 |

**SECTION B
INTERNAL CONTROL AND COMPLIANCE**

| | |
|--|-------|
| 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 <i>Government Auditing Standards</i> | B1-B2 |
|--|-------|

**SECTION C
SUPPLEMENTARY INFORMATION**

| | |
|---|----|
| Consolidating Statement of Net Position | C1 |
| Consolidating Statement of Revenues, Expenses and Changes in Net Position | C2 |
| Combining Statement of Net Position | C3 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | C4 |

**SECTION D
SINGLE AUDIT**

| | |
|---|---------|
| Independent Auditors' Report on Compliance for Each Major Program | D1 – D2 |
| And On Internal Control Over Compliance Required by OMB Circular A-133 | |
| Schedule of Expenditures of Federal Awards | D3 |
| Notes to the Schedule of Expenditures of Federal Awards | D4 |
| Schedule of Findings and Questioned Costs | D5 |
| Summary Schedule of Prior Audit Findings and Questioned Costs | D6 |

SECTION A
FINANCIAL SECTION

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122



MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Dennis J. Scott, CPA
www.mmscpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Genesee Gateway Local Development Corporation
Batavia, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Genesee Gateway Local Development Corporation ("GGLDC") and its wholly owned subsidiary, Genesee Agri-Business, LLC ("GAB, LLC") as of and for the year ended December 31, 2013, and the related notes to the consolidated financial statements for the year then ended, which collectively comprise GGLDC's 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated financial position of the entity as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MEMBERS: American Institute of Certified Public Accountants, New York State Society of Certified Public Accountants
National Conference of CPA Practitioners

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion & Analysis on pages 3 - 9 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, and 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the entity's basic financial statements. The supplemental information in Section C is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

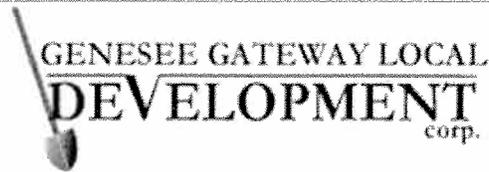
The supplemental information in Section C and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and the other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014 on our consideration of entity'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 entity's internal control over financial reporting and compliance.

Mistert, Manzano & Scott, LLP

Oneonta, New York
March 27, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2013

This section of the Genesee Gateway Local Development Corporation's ("GGLDC") annual financial report presents our discussion and analysis of the GGLDC's financial performance during the fiscal year that ended on December 31, 2013 and should be read in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

This annual financial report is made of two parts: first, management's discussion and analysis and secondly, the basic financial statements. The GGLDC is a non-profit organization whose mission is to assist local economic development efforts by making real estate development investments to bolster shovel-ready tech and industrial park development and to provide tax and other related financial assistance to commercially viable projects in Genesee County thereby enabling the continued development of a sustainable long-term economy.

GGLDC follows enterprise fund reporting. These statements are presented in a manner similar to a private business, such as a property management company. While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that the GGLDC is meeting its contractual obligations.

Affiliated Entities

The Genesee County Industrial Development Agency D/B A Genesee County Economic Development Center (GCEDC), was established by the Genesee County Legislature in 1970 under New York State's General Municipal Law. The GCEDC is a component unit of Genesee County (the County). GCEDC's mission is to be the driving force in fostering community economic success by providing comprehensive support, technical assistance and access to financial resources to businesses thereby enabling growth, expansion and retention of our existing business base and to market our community as "business friendly" facilitating new business attraction in order to build a sustainable long-term economy.

The Genesee Agri-Business, LLC (GABLLC) is a single member LLC whose only member is the GGLDC. The GABLLC owns the 250 acre Genesee Valley Agri-Business Park located in the Town of Batavia. The GABLLC is a shovel ready park dedicated to food processing companies. This park is home to two yogurt plants, Alpina Foods, Inc. and Muller Quaker Dairy, LLC along with food processing support company Markttec Products, Inc.

Financial Analysis of the Corporation

| | 2013 | 2012 | Higher / (Lower) Prior Year | % Increase (Decrease) |
|--|---------------------|---------------------|-----------------------------------|--------------------------|
| Increase in Cash & Cash Equivalents | \$ 2,781,715 | \$ 2,081,045 | \$ 700,670 | 34% |
| Decrease in Total Current Assets | \$ 4,474,722 | \$ 6,505,527 | \$ (2,030,805) | -31% |
| Increase in Land Held for Dev. & Sale | \$ 7,250,543 | \$ 5,937,634 | \$ 1,312,909 | 22% |
| Decrease in Capital Assets, Net | \$ 6,267,959 | \$ 6,327,471 | \$ (59,512) | -1% |
| Decrease in Total Current Liabilities | \$ 2,009,518 | \$ 2,809,617 | \$ (800,099) | -28% |
| Increase in Total Noncurrent Liabilities | \$ 7,866,573 | \$ 7,810,790 | \$ 55,783 | 1% |
| Increase in Total Net Position | \$ 9,013,592 | \$ 8,797,288 | \$ 216,304 | 2% |
| Revenues from Property Rentals | \$ 657,395 | \$ 658,228 | \$ (833) | 0% |
| Revenues from Grants | \$ 2,147,072 | \$ 4,494,405 | \$ (2,347,333) | -52% |
| Operating Revenues | \$ 2,900,267 | \$ 8,196,902 | \$ (5,296,635) | -65% |
| Operating Expenses | \$ 2,275,770 | \$ 4,907,187 | \$ (2,631,417) | -54% |
| Net Operating Income | \$ 624,497 | \$ 3,289,715 | \$ (2,665,218) | -81% |

The increase in cash and cash equivalents of \$700,670 (34%) is primarily attributable to:

- Grant proceeds received in 2013 reimbursing prior year expenditures.
- Community Benefit Agreement revenue of \$93,000.

Total current assets decreased by \$2,030,805 (-31%):

- Grants receivable decreased by \$2,217,063. 2012 grants receivable consists mostly of a \$2,000,000 Empire State Development City-By-City grant that supported development at the Genesee Valley Agri-Business Park (\$1,800,000 was received in 2013). Grants Receivable also included grants from Empire State Development and National Grid totaling \$1,066,863 that support development of the WNY Science and Technology Advanced Manufacturing Park (WNY STAMP), most of which were received in 2013.

Land held for development and sale increased by \$1,312,909 (22%) largely attributable to acquisition of additional acreage at the Genesee Valley Agri-Business Park owned by GABLLC. Other miscellaneous improvements were made throughout the year at various GGLDC owned sites.

Current liabilities decreased by \$800,099 (-28%):

- The current portion of bonds payable was much higher in 2012. 2012 included full pay off of an Ag Park bond that was to be paid when grant proceeds were received in the beginning of 2013. That bond has since been paid in full.

Increase in total net assets of \$216,304 (2%) is attributable to:

- Grant income recognized in 2013 with no corresponding expense. \$205,780 PILOT Increment Financing received from Genesee County to support Agri-Business Park Improvements pays bond principal and interest. \$350,000 grant received per a grant agreement between the GGLDC and Genesee County was disbursed as two loans to Yancey's Fancy, Inc. to support expansion within the County. \$234,000 NYS Homes and Community Renewal Grant funds were received in 2013 and loaned to Alpina Foods, Inc.
- A prior period adjustment was made in 2013 for \$45,507 to adjust land options for amounts that will not be credited toward final land purchase prices.

Decrease in revenue from grants \$2,347,333 (-52%) is primarily attributable to:

- 2012 grant revenue recognized from Empire State Development, United States Department of Agriculture, Town of Batavia and Genesee County supporting development of the Genesee Valley Agri-Business Park totaling over \$3,000,000 as well as Empire State Development and National Grid grant revenue of over \$1,000,000 supporting development of the WNY Science and Technology Park (STAMP).
- See Grant Revenue section for details of grants received in 2013.

Decrease in operating revenues of \$5,296,635 (-65%):

- Grant revenue of \$2,347,333 less than that recognized in 2012.
- 2012 includes Muller Quaker Dairy, LLC land sale proceeds of \$3,009,950.

Decrease in operating expenses of \$2,631,417 (-54%):

- 2012 includes cost of sales of \$3,125,537 related to the Muller Quaker Dairy, LLC land sale.

The following table summarizes GGLDC's results of operations for the fiscal years ended December 31, 2013 and 2012 and changes between the years:

| | 2013 | 2012 | % Increase (Decrease) |
|---------------------------------------|---------------------|-----------------------|--------------------------|
| OPERATING REVENUES | | | |
| Fees | \$ 3,500 | \$ - | 100% |
| Interest Income on Loans | \$ 30,345 | \$ 27,404 | 11% |
| Grant Income | \$ 2,147,072 | \$ 4,494,405 | -52% |
| Land Sale Proceeds | \$ 5,000 | \$ 3,009,950 | -100% |
| Contributed Land | \$ 46,186 | \$ - | 100% |
| Rent | \$ 657,395 | \$ 658,228 | 0% |
| Miscellaneous Income | \$ 10,769 | \$ 6,915 | 56% |
| Total Operating Revenues | <u>\$ 2,900,267</u> | <u>\$ 8,196,902</u> | -65% |
| OPERATING EXPENSES | | | |
| General & Administrative | \$ 27,041 | \$ 45,739 | -41% |
| Property Related Expenses | \$ 878,950 | \$ 3,427,902 | -74% |
| Grant Expense | \$ 410,000 | \$ - | 100% |
| Utilities | \$ 30,325 | \$ 23,980 | 26% |
| Professional Fees | \$ 929,454 | \$ 1,409,566 | -34% |
| Total Operating Expenses | <u>\$ 2,275,770</u> | <u>\$ 4,907,187</u> | -54% |
| Net Operating Revenue | \$ 624,497 | \$ 3,289,715 | -81% |
| NONOPERATING REVENUES/EXPENSES | | | |
| Infrastructure Dedication | \$ - | \$ (3,859,947) | 100% |
| Impairment Loss | \$ - | \$ (516,654) | 100% |
| Loss on Sale/Disposal of Assets | \$ - | \$ (298) | 100% |
| Other Interest Income | \$ 2,120 | \$ 2,596 | -18% |
| Interest Expense | \$ (364,806) | \$ (310,374) | 18% |
| Total Nonoperating Expense | <u>\$ (362,686)</u> | <u>\$ (4,684,677)</u> | -92% |
| Change in Net Position | \$ 261,811 | \$ (1,394,962) | -119% |

The \$5,296,635 (-65%) decrease in total operating revenues:

- Less grant revenue recognized in 2013. The GGLDC had a large amount of grant activity related to development at the Genesee Valley Agri-Business Park in 2012.
- 2012 includes land sale proceeds from sale of land in the GABLLC totaling \$3,009,950.

Operating expenses decreased by \$2,631,417 (-54%):

- 2012 property related expenses includes \$3,125,537 cost of sales related to land sales at the Genesee Valley Agri-Business Park.
- 2013 grant expenses includes a \$300,000 grant to the GCEDC in support of the continuing economic development program and \$110,000 equity contribution related to a WNY STAMP grant awarded by Empire State Development.

Nonoperating revenue/expense:

- 2012 net nonoperating expense includes:
 - Corporate park infrastructure dedicated to the Town of Batavia and Genesee County.
 - Impairment loss recognized for land at Buffalo East Tech Park deemed to be undevelopable of \$516,654.

Grant Revenue

Grant revenue in support of corporate park and other development initiatives totaled \$2,147,072 in 2013. The various funding sources for the major grant revenue recognized during the year are described below.

- \$256,212 NYS Homes and Community Renewal related to a grant awarded in 2011; \$234,000 was subsequently loaned to Alpina Foods, Inc. in 2013
- \$573,145 NYS Homes and Community Renewal supporting the Muller Quaker Dairy, LLC project and infrastructure development at the Genesee Agri-Business Park.
- \$130,032 Federal Economic Development Administration grant supports secondary roadway construction and Aquifer Direct water system at the Genesee Valley Agri-Business Park. Total grant awarded of \$1,000,000.
- \$205,780 PILOT Increment Financing, flowing through the Genesee County Economic Development Center, to support development of Genesee Valley Agri-Business Park.
- \$93,000 Annual Community Benefit payment committed by CNL Income Darien Lake to support infrastructure development in Western Genesee County. Payments occur over 20 years (2009-2027).
- \$532,101 Empire State Development grant for development of the WNY STAMP park located in the Town of Alabama.
- \$6,801 National Grid grants supporting the feasibility study, land option costs and marketing of WNY STAMP.
- \$350,000 GCEDC funds directed to the GGLDC per a subrecipient agreement between the GCEDC and Genesee County. Per that agreement, loan requests are submitted to the County for approval and the funds are redirected to the GGLDC for loan disbursement and administration.

Activities

The activities of the GGLDC are organized on the basis of eight divisions, each of which are internally considered a separate accounting entity. A brief overview of the separate divisions of the GGLDC follows:

The Operating Fund accounts for general administration of the GGLDC.

Gateway II Corporate Park located in the Town of Batavia, is a 57 acre site that is ideal for distribution, warehouse, light manufacturing, office and the construction equipment industries needing quick access to the state thruway. This shovel-ready park is home to Ashley Furniture's distribution center and is nearby the Western New York Branch of Milton Caterpillar. All utilities, municipal sewer, water, gas and electric are installed in the park. Marketing and promotion efforts continue.

Buffalo East Tech Park (BETP) is a 67 acre site located directly off the Pembroke Exit of the New York State Thruway in the Town of Pembroke. Strategic advantages of the park include access to workforce from both the Buffalo and Rochester regions and low cost hydro-power options for occupants. The BETP is one of the top sites in New York State for more near term attraction opportunities of high technology companies. In the Fall of 2013 the GGLDC completed the rezoning and the environmental review (SEQR) of the BETP to support advanced manufacturing. On site sewer is expected to be completed in Spring 2014 and will connect to the newly constructed Town of Pembroke sewer. In the Fall of 2013 Yancey's Fancy chose the BETP to be the site of their 112,000 square foot expansion of their food processing facilities.

The **Genesee Valley Agri-Business Park** is a one of a kind, 250 acre agri-business park and food processing park focused on attracting food processing and related companies to the site.

The GGLDC was awarded a \$3.9 million dollar state grant to bring rail into the park which will be constructed in the future.

In 2013 the design activities related to offering low cost process water to companies at the park had begun. In the Fall of 2013 a secondary access road was designed and constructed allowing the Park to be accessed from Route 5 and Route 63.

Muller Quaker Dairy, LLC, a joint venture (Muller Corp. from Germany and PepsiCo.) opened its first yogurt manufacturing plant in the Genesee Valley Agri-Business Park located in the Town of Batavia. They constructed a 363,000 square foot building on 81 acres with a total capital investment of \$206,250,000 and the pledged creation of 186 new jobs and began operations in Spring 2013.

Med Tech Park, 34 acres shovel-ready park located in the Town of Batavia, is home to the Dr. Bruce A. Holm MedTech Centre. The park is equipped with electric, gas and broadband and is dedicated to life science and medical device companies. Marketing the shovel-ready acreage available at the Upstate Med & Tech Park continued in 2013.

WNY STAMP, (Science and Technology Advanced Manufacturing Park) is a 1,243 acre advanced manufacturing park located 5 miles north of I-90 exit 48A in the Town of Alabama. The site is considered New York's 2nd Mega-Site. It holds great potential to be the Western New York home for Nano-Tech enabled manufacturing leveraging the \$10+ billion investment in Nano-Tech that New York State has made to date. At full build-out, the site could employ nearly 10,000 workers and 30,000 regionally when including the supply chain and construction employment effect and could be home to advanced manufacturing companies making technologies like photovoltaic cells (solar cells), semiconductors (computer chips) or flat panel displays. In 2013, the GGLDC utilized a portion of a \$2 million grant from the New York State Senate and a \$.5M grant from National Grid to conduct additional water and wastewater engineering studies, acquisition of some of the acreage and begin marketing activities.

In 2013 the GGLDC and GCEDC Board of Directors both agreed to transition STAMP activities, including land acquisition, from the GGLDC to the GCEDC. In 2014 the GCEDC will seek significant funding from New York State to enable STAMP to get to a shovel ready state as the current market conditions show that there a number of advanced manufacturing companies that will be looking for a greenfield site in Spring/Summer 2014 to construct new manufacturing facilities.

Med Tech Centre The construction of the 43,000 Dr. Bruce A. Holm Upstate MedTech Centre located at the 34 acre Upstate Med & Tech Park near Genesee Community College (GCC) was completed in the summer of 2010. GCC's school of nursing occupies the entire second floor. UMMC and Summit's physical and occupational therapy suites are on the first floor of the building and serve the residents of Genesee and surrounding counties. GCEDC and GGLDC have moved their offices to the MedTech Center and are also located on the first floor. The facility also offers some 2,000 sq. ft. of commercialization space to support emerging medical device and young technology firms. A new medical device company, First Wave Technologies, is currently occupying a portion of the accelerator space within MedTech Centre and has plans to expand the amount of space they will be utilizing in 2014.

In 2013, marketing the space available at the Centre as a lifecycle solution for young entrepreneurial firms as they grow and develop in our community will continue.

Economic Development Loan Fund accounts for activity related to a subrecipient agreement between the GCEDC and Genesee County and a grant agreement between the GGLDC and Genesee County. GCEDC revolving loan funds are directed to the GGLDC by Genesee County for the disbursement and administration of approved loans.

Capital Assets

The following table summarizes the changes in GGLDC capital assets between fiscal years 2013 and 2012:

Changes in Capital Assets between Fiscal Years 2013 and 2012

| | 2013 | | 2012 | Increase (Decrease) |
|------------------------------------|--------------|----|-------------|--------------------------------|
| Land Options | \$ - | \$ | 68,488 | \$ (68,488) |
| Furniture and Equipment | \$ 21,387 | \$ | 18,989 | \$ 2,398 |
| Building and Improvements | \$ 6,857,320 | \$ | 6,741,849 | \$ 115,471 |
| Less Accumulated Depreciation | \$ 610,748 | \$ | 433,367 | \$ 177,381 |
| Net Capital Assets | \$ 6,267,959 | \$ | 6,395,959 | \$ (128,000) |
| Land Held for Development and Sale | \$ 7,250,543 | \$ | 5,937,634 | \$ 1,312,909 |

The decrease in Net Capital Assets of \$128,000 is mostly attributable to the assignment or write-off of land options and 2013 depreciation expense.

Land held for development and sale increased by \$1,312,909 mostly resulting from the acquisition of additional acreage at the Genesee Valley Agri-Business Park.

Contacting GGLDC’s Financial Management

This financial report is designed to provide our clients and the public with a general overview of the GGLDC’s finances and to demonstrate accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Genesee Gateway Local Development Corporation, 99 MedTech Drive, Batavia, New York, 14020.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF NET POSITION

December 31, 2013

ASSETS:

Current assets:

| | | |
|--|----|------------------|
| Cash & cash equivalents | \$ | 2,781,715 |
| Deposits | | 2,160 |
| Accounts receivable | | 1,063 |
| Grants receivable | | 1,413,596 |
| Prepaid interest | | 9,115 |
| Prepaid expenses | | 1,316 |
| Loans & mortgages receivable - current portion | | 265,757 |
| Total current assets | | <u>4,474,722</u> |

Noncurrent assets:

| | | |
|---|--|-------------------|
| Loans & mortgages receivable- noncurrent portion | | 896,459 |
| Land held for development & sale | | 7,250,543 |
| Capital assets, net | | 6,267,959 |
| Total noncurrent assets | | <u>14,414,961</u> |

Total assets 18,889,683

LIABILITIES:

Current liabilities:

| | | |
|---------------------------------|--|------------------|
| Accounts payable | | 690,822 |
| Line of credit | | 516,896 |
| Accrued expenses | | 20,117 |
| Security deposits payable | | 108,680 |
| Unearned revenue | | 35,715 |
| Bond payable - current portion | | 151,299 |
| Loans payable - current portion | | 485,989 |
| Total current liabilities | | <u>2,009,518</u> |

Noncurrent liabilities:

| | | |
|------------------------------------|--|------------------|
| Bond payable - noncurrent portion | | 881,880 |
| Loans payable - noncurrent portion | | 6,797,560 |
| Loan payable - related party | | 187,133 |
| Total noncurrent liabilities | | <u>7,866,573</u> |

Total liabilities 9,876,091

NET POSITION:

| | | |
|--------------------|----|------------------|
| Restricted | | 762,262 |
| Unrestricted | | 8,251,330 |
| Total net position | \$ | <u>9,013,592</u> |

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2013**

| | |
|---|---------------------|
| OPERATING REVENUES: | |
| Grant income | \$ 2,147,072 |
| Contributed land | 46,186 |
| Land sale proceeds | 5,000 |
| Fees | 3,500 |
| Interest income on loans | 30,345 |
| Miscellaneous income | 10,769 |
| Rent | 657,395 |
| Total operating revenues | <u>2,900,267</u> |
| OPERATING EXPENSES: | |
| Cost of sales | 5,551 |
| Depreciation | 177,381 |
| Finance charge expense | 20,979 |
| Grant expense | 410,000 |
| Insurance | 25,530 |
| Marketing program | 1,801 |
| Miscellaneous expense | 1,955 |
| Professional fees | 929,454 |
| Fees & permits | 725 |
| Option expense | 24,026 |
| Site development | 573,145 |
| Site maintenance | 60,207 |
| Special district fees | 11,174 |
| Supplies | 2,306 |
| Telephone | 1,211 |
| Utilities | 30,325 |
| Total operating expenses | <u>2,275,770</u> |
| Net operating income | <u>624,497</u> |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest expense | (364,806) |
| Other interest income | 2,120 |
| Total non-operating expenses | <u>(362,686)</u> |
| Change in net position | 261,811 |
| Net position - beginning | 8,797,288 |
| Prior period adjustment | <u>(45,507)</u> |
| Net position - ending | <u>\$ 9,013,592</u> |

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

| | |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Fees | \$ 3,500 |
| Grant income | 4,416,498 |
| Land sale proceeds | 5,000 |
| Interest income on loans | 30,345 |
| Miscellaneous income | 10,769 |
| Rental income | 641,543 |
| Issuance/(repayments) of loans (net) | 135,074 |
| Cost of sales/closing costs | (5,551) |
| Finance charges | (20,979) |
| Grant expense | (410,000) |
| Purchase/improvements of land held for development & resale | (1,267,700) |
| Insurance | (21,864) |
| Marketing program | (3,801) |
| Miscellaneous expense | (1,955) |
| Professional fees | (976,053) |
| Fees & permits | (725) |
| Site maintenance | (60,757) |
| Special district fees | (11,174) |
| Supplies | (1,887) |
| Telephone | (1,211) |
| Utilities | (27,539) |
| Net cash provided by operating activities | <u>2,431,533</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Line of credit advances | 185,202 |
| Net cash provided by noncapital financing activities | <u>185,202</u> |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | |
| Principal payments on bonds & loans | (2,133,199) |
| Loan proceeds received | 700,000 |
| Interest paid on bonds & loans | (361,072) |
| Purchase/improvements of capital assets | (123,914) |
| Net cash used in capital & related financing activities | <u>(1,918,185)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest income | 2,120 |
| Equity investment - Genesee Agri-Business, LLC | 0 |
| Net cash provided by investing activities | <u>2,120</u> |
| Net increase in cash & cash equivalents | 700,670 |
| Cash & cash equivalents - beginning | <u>2,081,045</u> |
| Cash & cash equivalents - ending | <u><u>\$ 2,781,715</u></u> |

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

RECONCILIATION OF NET OPERATING REVENUE TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

| | | |
|---|----|------------------|
| Net operating revenue | \$ | 624,497 |
| Adjustments to reconcile net operating revenue to net cash provided by operating activities: | | |
| Depreciation expense | | 177,381 |
| Decrease in loans receivable | | 135,074 |
| Net improvements of land held for development & resale | | (1,307,909) |
| Decrease in land options | | 24,027 |
| Decrease in deposits | | 500 |
| Decrease in accounts receivable | | 51,369 |
| Decrease in grant receivable | | 2,217,063 |
| Decrease in prepaid expenses | | 9,584 |
| Increase in accounts payable | | 515,799 |
| Decrease in deferred revenues | | (15,852) |
| Total adjustments | | <u>1,807,036</u> |
| Net cash provided by operating activities | \$ | <u>2,431,533</u> |

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Genesee Gateway Local Development Corporation (the GGLDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the GGLDC's accounting policies are described below.

Reporting Entity: The Genesee Gateway Local Development Corporation (the GGLDC) was created in 2004 with a focus on economic development opportunities related to real estate and corporate park development. The corporation is a public instrumentality formed exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Genesee County Economic Development Center (GCEDC) is the sole member of the corporation.

The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing Agency, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Genesee Agri-Business, LLC has been included in the reporting entity. The financial reporting entity consists of (a) the primary entity which is the Genesee Gateway Local Development Corporation, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary entity is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14 as amended by GASB No. 39. The decision to include a potential unit in the GGLDC's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB No. 39, including legal standing, fiscal dependency, and financial accountability.

Basis of Presentation: The GGLDC's basic financial statements consist of three statements that provide information about the GGLDC's activities. The first statement is the statement of net position which lists all of the GGLDC's assets and liabilities, with the difference reported as net position. The second statement is the statement of revenues, expenses and changes in net position which details how the GGLDC's net position changed during the current year based on the reporting of the revenues and expenses recognized by the GGLDC. The third statement is the statement of cash flows which reports the activities that provide or use the cash and cash equivalents of the GGLDC.

The accounts of the GGLDC are organized on the basis of sub-funds or account groups. A separate sub-fund is used to account for each development project and an operating fund is used for all resources over which the board of directors has discretionary control used to carry out the operations of the GGLDC. The following sub-funds are used: Operating fund, Gateway II fund, Buffalo East South fund, Ag Park fund, Med Tech Park fund, WNY STAMP fund, Med Tech Centre fund, and Economic Development Loan fund.

Measurement Focus and Basis Of Accounting: The financial statements of the GGLDC are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the GGLDC gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the GGLDC has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The GGLDC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and the income realized will not be subject to New York State corporate franchise tax. The GGLDC is no longer subject to Federal and New York State income tax examination for years prior to 2009.

Cash and Cash Equivalents: The GGLDC's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Equity Investment in Joint Venture: Equity Investment in Joint Venture represents the GGLDC's investment in Genesee Agri-Business, LLC (GAB, LLC). The GGLDC utilizes the equity method of accounting for its investment in GAB, LLC which results in the Equity Investment balance being increased by GGLDC's share of GAB, LLC's net income plus any contributions made by GGLDC.

Advances: The GGLDC 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 GGLDC before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the GGLDC has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Capital Assets: Capital assets are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The cost of repairs, maintenance and minor replacements is expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the GGLDC are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|----------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Furniture and equipment | \$1,000 | straight-line | 5-7 years |
| Buildings and improvements | \$1,000 | straight-line | 30-40 years |

Statement of Cash Flows: For the purposes of the statement of cash flows the GGLDC considers cash and cash equivalents to be all unrestricted and restricted cash accounts including demand accounts.

Use of Estimates in Preparation of Financial Statements: 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. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after March 27, 2014 which is the date these financial statements were available to be issued.

Component Unit - Management has evaluated the provisions of Government Accounting Standards Board Statement No. 14 - *The Financial Reporting Entity* and No. 39 - *Determining Whether Certain Organizations Are Component Units* - an amendment of GASB Statement No. 14. Based on the provisions of these standards management has determined that the GGLDC is not a component unit of the Genesee County Industrial Development Agency D/B/A Genesee County Economic Development Center (the GCEDC).

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements - During the fiscal year ended December 31, 2013, the GGLDC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The GGLDC did not have any assets or liabilities that were required to be reclassified to either deferred outflows or inflows of resources for the fiscal year ended December 31, 2013.

Additionally, during the year ended December 31, 2013, the GGLDC completed the process of evaluating the impact that will result from adopting GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and 62*. GASB Statements No. 61 and 66 have been adopted, as applicable, for the year ended December 31, 2013 and did not have a material impact on the GGLDC's financial position or results from operations.

The GASB has issued the following new statements:

- Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which will be effective for the year ending December 31, 2014;
- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending December 31, 2015;
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which will be effective for the year ending December 31, 2014;
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which will be effective for the year ending December 31, 2014; and
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which should be applied simultaneously with the provisions of Statement No. 68.

The GGLDC is currently studying these statements and plans on adoption, as required.

NOTE 2. CASH AND INVESTMENTS

The GGLDC's investment policies are governed by State statutes. In addition, the GGLDC has its own written investment policy. GGLDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The GGLDC Treasurer is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

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

The GGLDC 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; 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 GGLDC Treasurer.

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

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Credit Risk: The GGLDC'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 GGLDC's investment and deposit policy authorizes the reporting entity 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.

As a 501(c)(3) organization the GGLDC cannot obtain collateral against its bank accounts. As of December 31, 2013, cash balances of \$1,803,644 were not covered by FDIC insurance.

NOTE 3. LOANS RECEIVABLE

The GGLDC provides low interest loans to businesses located in Genesee County in order to encourage economic development. Loans receivable consisted of the following at December 31, 2013:

| | | <u>Current</u> | <u>Noncurrent</u> |
|---|--|-------------------|-------------------|
| O-AT-KA Milk Products Cooperative, Inc. | Payments of interest only for 6 months, thereafter monthly payments for 7 years at 2% interest, maturing May 2015 | \$ 41,368 | \$ 19,056 |
| Yancey's Fancy, Inc. #1 | Monthly payments for 7 years at 3% interest, maturing April 2014 | 102,622 | - |
| Yancey's Fancy, Inc. #2 | Monthly payments for 5 years at 2% interest, maturing March 2015 | 31,055 | 7,862 |
| First Wave Technologies | Payments of interest only for 18 months, thereafter monthly payments for 4.5 years at 4.25% interest, maturing February 2017 | - | 412,005 |
| Alpina Foods, Inc. | Monthly payments for 5 years at 0% interest, maturing July 2018. | 46,800 | 167,700 |
| Yancey's Fancy, Inc. #3 | Monthly payments for 7 years at 3% interest, maturing February 2020. | 20,046 | 113,702 |
| Yancey's Fancy, Inc. #4 | Monthly payments for 7 years at 3% interest, maturing January 2021. | <u>23,866</u> | <u>176,134</u> |
| Total loans receivable | | <u>\$ 265,757</u> | <u>\$ 896,459</u> |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital asset activity for the GGLDC for the year ended December 31, 2013 was as follows:

| | <u>Balance</u> <u>01/1/13</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/13</u> |
|---|----------------------------------|--------------------|--------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land options | \$ <u>63,488</u> | \$ <u>6,046</u> | \$ <u>(69,534)</u> | \$ <u>-</u> |
| Total capital assets not being depreciated | <u>63,488</u> | <u>6,046</u> | <u>(69,534)</u> | <u>-</u> |
| Capital assets being depreciated | | | | |
| Building and improvements | 6,741,849 | 115,471 | - | 6,857,320 |
| Furniture and equipment | <u>18,989</u> | <u>2,398</u> | <u>-</u> | <u>21,387</u> |
| Total capital assets being depreciated | <u>6,760,838</u> | <u>117,869</u> | <u>-</u> | <u>6,878,707</u> |
| Less accumulated depreciation: | | | | |
| Building and improvements | 431,241 | 173,651 | - | 604,892 |
| Furniture and equipment | <u>2,126</u> | <u>3,730</u> | <u>-</u> | <u>5,856</u> |
| Total accumulated depreciation | <u>433,367</u> | <u>177,381</u> | <u>-</u> | <u>610,748</u> |
| Total capital assets being depreciated, net | <u>6,327,471</u> | <u>(59,512)</u> | <u>-</u> | <u>6,267,959</u> |
| Total capital assets, net | <u>\$ 6,390,959</u> | <u>\$ (53,466)</u> | <u>\$ (69,534)</u> | <u>\$ 6,267,959</u> |

NOTE 5. LAND HELD FOR DEVELOPMENT AND SALE

Land held for development and sale activity for the year ended December 31, 2013 was as follows:

| | <u>Balance</u> <u>01/01/13</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/13</u> |
|--|-----------------------------------|---------------------|------------------|-----------------------------------|
| Land held for development and sale: | | | | |
| GGLDC | \$ 3,669,480 | \$ 207,797 | \$ - | \$3,877,277 |
| GAB, LLC | <u>2,268,154</u> | <u>1,105,112</u> | <u>-</u> | <u>3,373,266</u> |
| Total land held for development and sale | <u>\$ 5,937,634</u> | <u>\$ 1,312,909</u> | <u>\$ -</u> | <u>\$ 7,250,543</u> |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6. UNEARNED REVENUE

The GGLDC leases space in the Med Tech Centre building to the GCEDC, Genesee Community College and United Memorial Medical Center. At December 31, 2013, rent received in advance totaled \$35,608.

Interest received in advance related to loans receivable totaled \$107 at December, 31, 2013.

NOTE 7. LINE OF CREDIT

In February 2011, the GGLDC obtained a revolving line of credit from Five Star Bank for \$700,000. The new line carries an interest rate equal to prime rate, with a floor of 4%. Collateral consists of a new first lien position General Security Agreement on all business assets of GGLDC and a second lien position General Security Agreement on all business assets of Genesee County Economic Development Center, a related entity.

At December 31, 2013, there was a balance of \$516,896 drawn against the line of credit.

NOTE 8. LOANS PAYABLE

In 2009, the GGLDC obtained a construction loan in the amount of \$6,900,000 to finance the construction of Med Tech Centre. The construction loan contained a variable interest rate that automatically adjusted with any changes in the Wall Street Journal prime rate. The loan was converted into permanent financing upon completion of the building's construction in September of 2010. This debt is secured by the Med Tech Centre building, along with any fixtures within. The following long-term debt was outstanding at December 31, 2013:

| | |
|--|---------------------|
| Bond payable to Five Star Bank, due in monthly installments of \$7,446, 6.64% per annum, maturing August 2035, or until paid in full with the original amount of \$1,078,095. | \$ 1,014,272 |
| Bond payable to Five Star Bank, due in monthly installments of \$15,717, 4.44% per annum, maturing August 2035, or until paid in full with the original amount of \$2,821,905. | 2,599,727 |
| Loan payable to U.S. Dept. of Agriculture, due in monthly installments of \$14,340, 4%, per annum, maturing September 2040, or until paid in full with the original amount of \$3,000,000. | <u>2,819,550</u> |
| Total long term debt | \$ <u>6,433,549</u> |

In 2008, the GAB, LLC obtained a loan in the amount of \$400,000 related to land acquisition at the Genesee Valley Agri-Business Park. The loan has a 0% interest rate. Imputed interest is amortized over the life of the loan. At December 31, 2013, there was a balance of \$150,000 outstanding on this loan.

In 2013, the GAB, LLC obtained a loan in the amount of \$700,000 related to land acquisition at the Genesee Valley Agri-Business Park. The loan has a 4% interest rate. At December 31, 2013 there was a balance of \$700,000 outstanding on this loan.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LOANS PAYABLE (Continued)

Current maturities of long-term debt are as follows for the years ending December 31:

| | <u>GGLDC</u> | <u>GAB, LLC</u> | <u>Total</u> |
|----------------------|--------------------|-------------------|--------------------|
| 2014 | \$ 149,221 | \$ 336,768 | \$ 485,989 |
| 2015 | 162,231 | 333,471 | 495,702 |
| 2016 | 169,404 | 179,761 | 349,165 |
| 2017 | 177,925 | - | 177,925 |
| 2018 | 186,369 | - | 186,369 |
| 2019-2023 | 1,073,366 | - | 1,073,366 |
| 2024-2028 | 1,356,759 | - | 1,356,759 |
| 2029-2033 | 1,719,723 | - | 1,719,723 |
| 2034-2038 | 1,159,543 | - | 1,159,543 |
| 2039-2040 | <u>279,008</u> | <u>-</u> | <u>279,008</u> |
| Total long term debt | <u>\$6,433,549</u> | <u>\$ 850,000</u> | <u>\$7,283,549</u> |

NOTE 9. BOND PAYABLE

In June 2009 the GGLDC closed on a \$1,489,000 bond to support improvement to the Genesee Valley Agri-Business Park. The bond had an original fixed interest rate equal to 6.86%. Principal and interest payments of \$205,780 are payable on February 15 each year. Payments commenced on February 15, 2010. In May 2010, the GGLDC refinanced this bond to a fixed interest rate equal to 5.26%. Due to the change in interest rate, the principal available increased to \$1,462,000. All other terms remain the same.

The following is a summary of bonds with a corresponding maturity schedule:

| <u>Description</u> | <u>Date Issued</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Date of Final Maturity</u> | <u>Balance</u> |
|-----------------------------------|--------------------|--------------------|----------------------|-------------------------------|----------------|
| Genesee Valley Agri-Business Park | 05/10 | \$1,462,000 | 5.26% | 02/19 | \$1,033,179 |
| | <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | | |
| | 2014 | \$ 151,299 | \$ 54,481 | | |
| | 2015 | 159,257 | 46,523 | | |
| | 2016 | 167,634 | 38,146 | | |
| | 2017 | 176,452 | 29,328 | | |
| | 2018 | 185,733 | 20,047 | | |
| | 2019 | <u>192,804</u> | <u>10,277</u> | | |
| | Totals | <u>\$1,033,179</u> | <u>\$ 198,802</u> | | |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RELATED PARTY TRANSACTIONS

The GGLDC has related party relationships with the Genesee County Industrial Development Agency D/B/A Genesee County Economic Development Center (GCEDC), and the Genesee Agri-Business, LLC (GAB, LLC).

Genesee Agri-Business, LLC was formed in December 2007 to engage in business that furthers the development of the Genesee Valley Agri-Business Park. The GGLDC had a 51% member interest in the GAB, LLC through May 31, 2012. On May 31, 2012, the GGLDC acquired all of Rural Investments, Inc. member interest and is now the sole member.

The GCEDC leases office space from the GGLDC. A lease agreement was entered into in July 2009 to occupy 3,100 square feet of office space at the Med Tech Centre building. The term of the lease is for 15 years commencing in June 2010, upon substantial completion of the building. The annual rent is \$17,294 to be paid in equal monthly installments. At December 31, 2013, the GGLDC held a \$2,832 security deposit from the GCEDC as required by the lease agreement.

At December 31, 2013, a loan payable to the GCEDC had a balance of \$187,133 and \$20,117 of accrued interest.

The GGLDC granted \$300,000 to the GCEDC in 2013 to support the continuing economic development program.

The GGLDC is a co-borrower on a \$1,300,000 non-revolving line of credit obtained from Five Star Bank. The line carries an interest rate equal to Wall Street Journal Prime Rate, with a floor of 4%. At December 31, 2013, there was a balance of \$1,300,000 against this line of credit.

NOTE 11. LAND OPTIONS - GGLDC

In 2008, the GGLDC entered into three option contracts for the purchase of real property. The properties covered by these options total 369 acres of land located in the Town of Alabama. The option prices consist of \$500 paid upon signing each of the option contracts and reimbursement of certain real property taxes paid by the sellers.

In 2009, the GGLDC entered into four option contracts for the purchase of real property. Three of the options were for properties located in the Town of Alabama. The total acres covered under the options were 362.2 acres. The option prices consist of \$500 paid upon signing each of the option contracts and reimbursement of certain real property taxes paid by the seller. One of the options was for property located in the Town of Pembroke. The total acreage covered under the option was 233 acres and the option price was \$10,000.

All land options held by the GGLDC were either written-off, or expired or assigned to the GCEDC in 2013.

NOTE 12. DARIEN LAKE PROJECT

In consideration of the significant economic incentives and community support provided by Genesee County to the owners/operators of Darien Lake theme park, in February 2008, Darien Lake committed to funding a Community Benefit Agreement ("CBA") totaling \$1,832,000 over twenty years to the GGLDC in support of infrastructure development and deployment for the public benefit. The CBA commenced October 1, 2008. A \$93,000 payment was received in 2013. Payments of \$93,000 will be received annually from 2014 through 2027.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 13. EQUITY INVESTMENT

The GGLDC owns 100% interest in the GAB, LLC. The GGLDC's equity investment in the GAB, LLC as of December 31, 2013 is as follows:

| | |
|--|---------------------|
| Balance at the beginning of year | \$ 2,610,540 |
| Income from GAB, LLC | 31,542 |
| Net contributions | <u>28,158</u> |
| Total equity investment at end of year | <u>\$ 2,670,240</u> |

NOTE 14. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in 2013 to adjust land options for amounts that will not be credited toward final land purchase prices.

SECTION B
INTERNAL CONTROL AND COMPLIANCE

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Dennis J. Scott, CPA

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**

To the Board of Directors
Genesee Gateway Local Development Corporation
Batavia, 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 consolidated financial statements of Genesee Gateway Local Development Corporation ("GGLDC") and its wholly owned subsidiary, Genesee Agri-Business, LLC ("GAB, LLC") as of and for the year ended December 31, 2013, and the related notes to the consolidated financial statements, which collectively comprise GGLDC's basic financial statements, and have issued our report thereon dated March 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the entity'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 consolidated 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entity's consolidated 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 consolidated 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.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
March 27, 2014

SECTION C
SUPPLEMENTARY INFORMATION

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF NET POSITION
December 31, 2013

| | Genesee Gateway Local Development Corporation | Genesee Agri- Business LLC | Eliminations | Total |
|---|---|-------------------------------|-----------------------|---------------------|
| ASSETS: | | | | |
| Current assets: | | | | |
| Cash & cash equivalents | \$ 2,644,057 | \$ 137,658 | \$ - | \$ 2,781,715 |
| Deposits | 2,160 | - | - | 2,160 |
| Accounts receivable | 69 | 994 | - | 1,063 |
| Grants receivable | 1,413,596 | - | - | 1,413,596 |
| Prepaid interest | - | 9,115 | - | 9,115 |
| Prepaid expenses | 1,316 | - | - | 1,316 |
| Loans & mortgages receivable - current portion | 265,757 | - | - | 265,757 |
| Total current assets | <u>4,326,955</u> | <u>147,767</u> | <u>-</u> | <u>4,474,722</u> |
| Noncurrent assets: | | | | |
| Loans & mortgages receivable- noncurrent portion | 896,459 | - | - | 896,459 |
| Land held for development & sale | 3,877,277 | 3,373,266 | - | 7,250,543 |
| Capital assets, net | 6,267,959 | - | - | 6,267,959 |
| Equity investment in joint venture | 2,670,240 | - | (2,670,240) | - |
| Total noncurrent assets | <u>13,711,935</u> | <u>3,373,266</u> | <u>(2,670,240)</u> | <u>14,414,961</u> |
| Total assets | <u>18,038,890</u> | <u>3,521,033</u> | <u>(2,670,240)</u> | <u>18,889,683</u> |
| LIABILITIES: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 690,029 | 793 | - | 690,822 |
| Line of credit | 516,896 | - | - | 516,896 |
| Accrued expenses | 20,117 | - | - | 20,117 |
| Security deposits payable | 108,680 | - | - | 108,680 |
| Unearned revenue | 35,715 | - | - | 35,715 |
| Bond payable - current portion | 151,299 | - | - | 151,299 |
| Loans payable - current portion | 149,221 | 336,768 | - | 485,989 |
| Total current liabilities | <u>1,671,957</u> | <u>337,561</u> | <u>-</u> | <u>2,009,518</u> |
| Noncurrent liabilities: | | | | |
| Bond payable - noncurrent portion | 881,880 | - | - | 881,880 |
| Loans payable - noncurrent portion | 6,284,328 | 513,232 | - | 6,797,560 |
| Loan payable - related party | 187,133 | - | - | 187,133 |
| Total noncurrent liabilities | <u>7,353,341</u> | <u>513,232</u> | <u>-</u> | <u>7,866,573</u> |
| Total liabilities | <u>9,025,298</u> | <u>850,793</u> | <u>-</u> | <u>9,876,091</u> |
| NET POSITION: | | | | |
| Restricted | 762,262 | - | - | 762,262 |
| Unrestricted | 8,251,330 | 2,670,240 | (2,670,240) | 8,251,330 |
| Total net position | <u>\$ 9,013,592</u> | <u>\$ 2,670,240</u> | <u>\$ (2,670,240)</u> | <u>\$ 9,013,592</u> |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2013

| | Genesee Gateway Local Development Corporation | Genesee Agri- Business LLC | Eliminations | Total |
|---|---|-------------------------------|-----------------------|---------------------|
| OPERATING REVENUES: | | | | |
| Grant income | \$ 2,147,072 | \$ - | \$ - | \$ 2,147,072 |
| Contributed land | - | 46,186 | - | 46,186 |
| Land sale proceeds | - | 5,000 | - | 5,000 |
| Fees | 3,500 | - | - | 3,500 |
| Interest income on loans | 30,345 | - | - | 30,345 |
| Miscellaneous income | 3,269 | 7,500 | - | 10,769 |
| Rent | 656,395 | 1,000 | - | 657,395 |
| Total operating revenues | <u>2,840,581</u> | <u>59,686</u> | <u>-</u> | <u>2,900,267</u> |
| OPERATING EXPENSES: | | | | |
| Cost of sales | - | 5,551 | - | 5,551 |
| Depreciation | 177,381 | - | - | 177,381 |
| Finance charge expense | 20,979 | - | - | 20,979 |
| Grant expense | 410,000 | - | - | 410,000 |
| Insurance | 23,790 | 1,740 | - | 25,530 |
| Marketing program | 1,801 | - | - | 1,801 |
| Miscellaneous expense | 1,955 | - | - | 1,955 |
| Professional fees | 917,938 | 11,516 | - | 929,454 |
| Fees & permits | - | 725 | - | 725 |
| Option expense | 24,026 | - | - | 24,026 |
| Site development | 573,145 | - | - | 573,145 |
| Site maintenance | 60,207 | - | - | 60,207 |
| Special district fees | 10,640 | 534 | - | 11,174 |
| Supplies | 2,306 | - | - | 2,306 |
| Telephone | 1,211 | - | - | 1,211 |
| Utilities | 21,887 | 8,438 | - | 30,325 |
| Total operating expenses | <u>2,247,266</u> | <u>28,504</u> | <u>-</u> | <u>2,275,770</u> |
| Net operating income | <u>593,315</u> | <u>31,182</u> | <u>-</u> | <u>624,497</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest expense | (364,806) | - | - | (364,806) |
| Net gain from joint venture | 31,542 | - | (31,542) | - |
| Other interest income | 1,760 | 360 | - | 2,120 |
| Total non-operating expenses | <u>(331,504)</u> | <u>360</u> | <u>(31,542)</u> | <u>(362,686)</u> |
| Change in net position | 261,811 | 31,542 | (31,542) | 261,811 |
| Net position - beginning | 8,797,288 | 2,610,540 | (2,610,540) | 8,797,288 |
| Adjustment | - | 28,158 | (28,158) | - |
| Prior period adjustment | (45,507) | - | - | (45,507) |
| Net position - ending | <u>\$ 9,013,592</u> | <u>\$ 2,670,240</u> | <u>\$ (2,670,240)</u> | <u>\$ 9,013,592</u> |

GENESSEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION
December 31, 2013

| | Operating Fund | Gateway II Fund | Buffalo East South Fund | Ag Park Fund | Med Tech Park Fund | WNY STAMP Fund | Med Tech Centre Fund | Economic Development Loan Fund | Total |
|---|----------------|-----------------|-------------------------|--------------|--------------------|----------------|----------------------|--------------------------------|--------------|
| ASSETS: | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash & cash equivalents | \$ 757,769 | \$ - | \$ 409,469 | \$ 805,726 | \$ 37,931 | \$ 45,852 | \$ 567,114 | \$ 20,196 | \$ 2,644,057 |
| Deposits | - | - | - | - | - | - | 2,160 | - | 2,160 |
| Accounts receivable | - | - | - | - | - | 69 | - | - | 69 |
| Grants receivable | 11,096 | - | - | 903,178 | - | 499,322 | - | - | 1,413,596 |
| Prepaid expenses | 1,316 | - | - | - | - | - | - | - | 1,316 |
| Due to/from other funds | - | - | - | - | (337) | - | 337 | - | - |
| Loans & mortgages receivable - current portion | 88,168 | - | 133,677 | - | - | - | - | 43,912 | 265,757 |
| Total current assets | 858,349 | - | 543,146 | 1,708,904 | 37,594 | 545,243 | 569,611 | 64,108 | 4,326,955 |
| Noncurrent assets: | | | | | | | | | |
| Loans & mortgages receivable - noncurrent portion | 186,756 | - | 7,862 | - | 412,005 | - | - | 289,836 | 896,459 |
| Land held for development & sale | - | 1,512,696 | 1,705,989 | - | 214,166 | 123,876 | 320,550 | - | 3,877,277 |
| Furniture & equipment | - | - | - | - | - | - | 21,387 | - | 21,387 |
| Buildings & improvements | - | - | - | - | - | - | 6,857,320 | - | 6,857,320 |
| Less: accumulated depreciation | - | - | - | - | - | - | (610,748) | - | (610,748) |
| Equity investment in joint venture | - | - | - | 2,670,240 | - | - | - | - | 2,670,240 |
| Total noncurrent assets | 186,756 | 1,512,696 | 1,713,851 | 2,670,240 | 626,171 | 123,876 | 6,588,509 | 289,836 | 13,711,935 |
| Total assets | 1,045,105 | 1,512,696 | 2,256,997 | 4,379,144 | 663,765 | 669,119 | 7,158,120 | 353,944 | 18,038,890 |
| LIABILITIES: | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Accounts payable | 24,657 | - | 1,987 | 575,010 | 1,050 | 84,423 | 2,902 | - | 690,029 |
| Line of credit | - | - | - | - | - | 516,896 | - | - | 516,896 |
| Accrued expenses | - | - | 20,117 | - | - | - | - | - | 20,117 |
| Security deposits payable | - | - | - | - | - | - | 108,680 | - | 108,680 |
| Unearned revenue | 107 | - | - | - | - | - | 35,608 | - | 35,715 |
| Bond payable - current portion | - | - | - | 151,299 | - | - | - | - | 151,299 |
| Loans payable - current portion | - | - | - | - | - | - | 149,221 | - | 149,221 |
| Total current liabilities | 24,764 | - | 22,104 | 726,309 | 1,050 | 601,319 | 296,411 | - | 1,671,957 |
| Noncurrent Liabilities | | | | | | | | | |
| Bond payable - noncurrent portion | - | - | - | 881,880 | - | - | - | - | 881,880 |
| Loans payable - noncurrent portion | - | - | - | - | - | - | 6,284,328 | - | 6,284,328 |
| Loan payable - related party | - | - | 187,133 | - | - | - | - | - | 187,133 |
| Total noncurrent liabilities | - | - | 187,133 | 881,880 | - | - | 6,284,328 | - | 7,353,341 |
| Total Liabilities | 24,764 | - | 209,237 | 1,608,189 | 1,050 | 601,319 | 6,580,739 | - | 9,025,298 |
| NET POSITION: | | | | | | | | | |
| Restricted | - | - | 361,254 | - | - | - | 401,008 | - | 762,262 |
| Unrestricted | 1,020,341 | 1,512,696 | 1,686,506 | 2,770,955 | 662,715 | 67,800 | 176,373 | 353,944 | 8,251,330 |
| Total net position | \$ 1,020,341 | \$ 1,512,696 | \$ 2,047,760 | \$ 2,770,955 | \$ 662,715 | \$ 67,800 | \$ 577,381 | \$ 353,944 | \$ 9,013,592 |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Year Ended December 31, 2013

| | Operating Fund | Gateway II Fund | Buffalo East South Fund | Ag Park Fund | Med Tech Park Fund | WNY STAMP Fund | Med Tech Centre Fund | Economic Development Loan Fund | Total |
|---|---------------------|---------------------|-------------------------|---------------------|--------------------|------------------|----------------------|--------------------------------|------------------|
| OPERATING REVENUES: | | | | | | | | | |
| Grant income | \$ 256,212 | \$ - | \$ 93,000 | \$ 908,957 | \$ - | \$ 538,903 | \$ - | \$ 350,000 | 2,147,072 |
| Interest income on loans | 2,570 | - | 4,604 | - | 19,227 | - | - | 3,944 | 30,345 |
| Fees | 3,500 | - | - | - | - | - | - | - | 3,500 |
| Miscellaneous income | 15 | - | 100 | 2,654 | 500 | - | - | - | 3,269 |
| Rent | - | - | - | - | - | 555 | 655,840 | - | 656,395 |
| Total operating revenues | <u>262,297</u> | <u>-</u> | <u>97,704</u> | <u>911,611</u> | <u>19,727</u> | <u>539,458</u> | <u>655,840</u> | <u>353,944</u> | <u>2,840,581</u> |
| OPERATING EXPENSES: | | | | | | | | | |
| Depreciation | - | - | - | - | - | - | 177,381 | - | 177,381 |
| Finance charge expense | 15 | - | 3,743 | - | - | 17,221 | - | - | 20,979 |
| Grant expense | 410,000 | - | - | - | - | - | - | - | 410,000 |
| Insurance | 7,263 | 1,010 | 1,038 | - | - | 790 | 13,689 | - | 23,790 |
| Marketing program | - | - | - | - | - | 1,801 | - | - | 1,801 |
| Miscellaneous expense | 205 | - | 859 | 95 | - | 713 | 83 | - | 1,955 |
| Professional fees | 115,662 | 1,050 | 20,430 | 142,157 | 1,050 | 550,289 | 87,300 | - | 917,938 |
| Option expense | - | - | - | - | - | 24,026 | - | - | 24,026 |
| Site development | - | - | - | 573,145 | - | - | - | - | 573,145 |
| Site maintenance | - | 3,452 | 11,175 | 4,671 | 2,421 | - | 38,488 | - | 60,207 |
| Special district fees | - | 598 | 1,485 | - | 290 | 42 | 8,225 | - | 10,640 |
| Supplies | - | - | - | - | - | - | 2,306 | - | 2,306 |
| Telephone | - | - | - | - | - | - | 1,211 | - | 1,211 |
| Utilities | - | - | - | - | - | - | 21,887 | - | 21,887 |
| Total operating expenses | <u>533,145</u> | <u>6,110</u> | <u>38,730</u> | <u>720,068</u> | <u>3,761</u> | <u>594,882</u> | <u>350,570</u> | <u>-</u> | <u>2,247,266</u> |
| Operating income (loss) | (270,848) | (6,110) | 58,974 | 191,543 | 15,966 | (55,424) | 305,270 | 353,944 | 593,315 |
| NON-OPERATING REVENUES (EXPENSES): | | | | | | | | | |
| Interfund revenue | 166,606 | 38,808 | 6,028 | - | 4,610 | 69 | 98,607 | - | 314,728 |
| Interfund expenditure | (114,150) | - | (40,574) | (160,000) | - | (4) | - | - | (314,728) |
| Interest expense | - | - | - | (62,093) | - | - | (302,713) | - | (364,806) |
| Net gain from joint venture | - | - | - | 31,542 | - | - | - | - | 31,542 |
| Other interest income | 170 | - | 335 | 480 | 3 | 146 | 626 | - | 1,760 |
| Total non-operating revenues (expenses) | <u>52,626</u> | <u>38,808</u> | <u>(34,211)</u> | <u>(190,071)</u> | <u>4,613</u> | <u>211</u> | <u>(203,480)</u> | <u>-</u> | <u>(331,504)</u> |
| Change in net position | (218,222) | 32,698 | 24,763 | 1,472 | 20,579 | (55,213) | 101,790 | 353,944 | 261,811 |
| Net position - beginning | 1,238,563 | 1,479,998 | 2,022,997 | 2,769,483 | 642,136 | 168,520 | 475,591 | - | 8,797,288 |
| Prior period adjustment | - | - | - | - | - | (45,507) | - | - | (45,507) |
| Net position - ending | <u>\$ 1,020,341</u> | <u>\$ 1,512,696</u> | <u>\$ 2,047,760</u> | <u>\$ 2,770,955</u> | <u>\$ 662,715</u> | <u>\$ 67,800</u> | <u>\$ 577,381</u> | <u>\$ 353,944</u> | <u>9,013,592</u> |

SECTION D
SINGLE AUDIT

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Dennis J. Scott, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Genesee Gateway Local Development Corporation
Batavia, New York

Report on Compliance for Each Major Federal Program

We have audited the Genesee Gateway Local Development Corporation (GGLDC)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the GGLDC's major federal programs for the year ended December 31, 2013. The GGLDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the GGLDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the GGLDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the GGLDC's compliance.

Opinion on Each Major Federal Program

In our opinion, the GGLDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the GGLDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the GGLDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the GGLDC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal over compliance is solely to described the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
March 27, 2014

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2013

| <u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| U.S. Department of Commerce: | | | |
| Public Works and Economic Development Program | 11.300 | 01-01-14201 | \$ 130,032 |
| U.S. Department of Housing and Urban Development | | | |
| Pass through NYS Office of Community Renewal and the Town of Batavia Community Development Block Grant | 14.228 | 83ED696-12 | 579,884 |
| Pass through NYS Office of Community Renewal and the Town of Batavia Community Development Block Grant | 14.228 | 83ED761-11 | 245,116 |
| Pass through NYS Office of Community Renewal and the County of Genesee Community Development Block Grant | 14.228 | 444ED4926-11 | 3,593 |
| Pass through NYS Office of Community Renewal and the County of Genesee Community Development Block Grant | 14.228 | 444ED795-13 | 765 |
| Total U.S. Department of Housing and Urban Development | | | <u>829,358</u> |

Total Expenditures of Federal Awards

\$ 959,390

See accompanying notes to schedule of expenditures of federal awards.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2013

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Genesee Gateway Local Development Corporation (GGLDC) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 SUBRECIPIENTS

There were no subrecipients.

* * * * *

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the GGLDC.
2. No significant deficiencies were disclosed during the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the financial statements of the GGLDC, which would be required to be reported in accordance with *government auditing standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditors' report on compliance with requirements that could have a direct and material effect on each major program and on internal control over financial reporting in accordance with OMB Circular A-133.
5. The auditors' report on compliance of the major federal award programs for the GGLDC expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award program for the GGLDC are reported in Part C of this schedule.
7. The program tested as a major federal program was the U.S. Department of Housing and Urban Development – Community Development Block Grant – CFDA #14.228.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The GGLDC was determined to not be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

- NONE -

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

U.S. Department of Housing and Urban Development – Community Development Block Grant – CFDA #14.228

- NONE -

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2013

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

- NONE -

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE -