

GENESEE GATEWAY LOCAL
DEVELOPMENT CORPORATION

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

Year ended December 31, 2016

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

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SECTION A
FINANCIAL SECTION

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



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, 2016, 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 opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated financial position of the Genesee Gateway Local Development Corporation as of December 31, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 – 8 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.

Other 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 supplementary 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 in Section D is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The supplemental information in Section C and the schedule of expenditures of federal awards in Section D are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information in Section C and the schedule of expenditures of federal awards in Section D are fairly stated in all material respects in relation to the 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 24, 2016 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.

A handwritten signature in black ink that reads "Mostert, Manzanero & Scott, LLP". The signature is written in a cursive style and is positioned to the right of the main text block.

Oneonta, New York
March 30, 2017

Genesee Gateway Local Development Corporation Management's Discussion and Analysis Year Ended December 31, 2016

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, 2016 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 501(c)3 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.

The financial reporting entity includes organizations, functions and activities over which appointed officials exercise oversight responsibility. The Genesee Agri-Business, LLC (GABLLC) has been included in the reporting entity. The GABLLC is a single member LLC whose only member is the GGLDC. The GABLLC owns the 250 acre Genesee Valley Agri-Business Park (GVAB) located in the Town of Batavia. The GVAB is a shovel ready park dedicated to food processing companies. This park is home to a yogurt plant, Alpina Foods, Inc., along with a food-processing support company Markttec Products, Inc. In 2016, Dairy Farmers of America (DFA) acquired a 363,000 square foot manufacturing facility, previously owned by Muller Quaker Dairy, LLC, located within the Genesee Valley Agri-Business Park.

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.

Financial Analysis of the Corporation

	2016	2015	Higher/ (Lower) Prior Year	% Increase (Decrease)
Cash & Cash Equivalents	\$ 2,198,925	\$ 1,935,109	\$ 263,816	14%
Total Current Assets	\$ 2,801,680	\$ 3,036,875	\$ (235,195)	(8%)
Land Held for Development & Sale	\$ 6,979,291	\$ 6,910,146	\$ 69,145	1%
Capital Assets, Net	\$ 5,984,088	\$ 6,173,684	\$ (189,596)	(3%)
Total Current Liabilities	\$ 567,877	\$ 1,025,181	\$ (457,304)	(45%)
Total Noncurrent Liabilities	\$ 6,157,106	\$ 6,509,573	\$ (352,467)	(5%)
Total Net Position	\$ 10,081,796	\$ 9,459,292	\$ 622,504	7%
Operating Revenues	\$ 1,856,434	\$ 1,939,261	\$ (82,827)	(4%)
Operating Expenses	\$ 921,074	\$ 1,368,250	\$ (447,176)	(33%)
Net Operating Revenues	\$ 935,360	\$ 571,011	\$ 364,349	64%

The increase in cash and cash equivalents of \$263,816 (14%) is primarily attributable to:

- Community Benefit Agreement revenue of \$93,000.
- Grant proceeds received in 2016 reimbursing prior year expenditures. Most grants that the GGLDC receives are reimbursement based, therefore funds are expended upfront and sometimes not collected until the following fiscal year.

Total current assets decreased by \$235,195 (-8%) which is mostly due to a decrease in grants receivable. Grant funds were received from Empire State Development to support development of the Science and Technology Advanced Manufacturing Park (WNY STAMP), which in turn paid off a line of credit that was used to fund those expenses.

Land held for development and sale increased by \$69,145 (1%) which is attributable to road improvements at Buffalo East Tech Park (BETP).

Current liabilities decreased by \$457,304 (-45%):

- A line of credit with Five Star Bank used for expenses related to WNY STAMP was repaid with Empire State Development grant proceeds (\$188K).
- A loan from the GCEDC related to Buffalo East Tech Park land acquisition was repaid (\$122K).
- Final payments were made in 2016 on two GAB,LLC loans payable related to land acquisition at the Genesee Valley Agri-Business Park.

Increase in total net position of \$622,504 (7%) is mostly attributable to grant revenue recorded with no offsetting expense.

- \$205,780 PILOT Increment Financing (PIF) from Genesee County supports GVAB improvements; pays annual principal and interest on a bond that funded GVAB infrastructure improvements.
- Community Development Block Grant received in 2016 funded two loans to PW Minor totaling \$734K.

The following table summarizes GGLDC's results of operations for the fiscal years ended December 31, 2016 and 2015 and changes between the years:

	2016	2015	% Increase / (Decrease)
OPERATING REVENUES			
Grant Income	\$ 1,137,481	\$ 1,209,235	(6%)
Fees	\$ 6,250	\$ 8,250	(24%)
Interest Income on Loans	\$ 37,938	\$ 40,197	(6%)
Miscellaneous Income	\$ 1,865	\$ 13,340	(86%)
Rent	\$ 672,900	\$ 668,239	1%
Total Operating Revenues	\$ 1,856,434	\$ 1,939,261	(4%)
OPERATING EXPENSES			
General & Administrative	\$ 7,654	\$ 56,275	(86%)
Property Related Expenses	\$ 293,584	\$ 734,805	(60%)
Grant Expense	\$ 345,000	\$ 300,000	15%
Utilities	\$ 16,594	\$ 20,239	(18%)
Professional Fees	\$ 158,242	\$ 256,931	(38%)
Bad Debt Expense	\$ 100,000	\$ -	N/A
Total Operating Expenses	\$ 921,074	\$ 1,368,250	(33%)
Net Operating Revenue	\$ 935,360	\$ 571,011	64%
NON-OPERATING REVENUES/EXPENSES			
Other Interest Income	\$ 10,477	\$ 13,017	(20%)
Interest Expense	\$ (323,333)	\$ (357,344)	(10%)
Total Non-Operating Expense	\$ (312,856)	\$ (344,327)	(9%)
Change in Net Position	\$ 622,504	\$ 226,684	175%

Decrease in revenue from grants \$71,754 (-6%):

- See Grant Revenue section for details of grant revenue recorded in 2016.

Decrease in operating expenses of \$547,177 (-40%):

- STAMP development, including marketing and professional service expenses, are now fully funded in the GCEDC.
- 2015 included site development expense for Rt. 63 widening and re-striping at the Genesee Valley Agri-Business Park

Grant Revenue

Grant revenue in support of corporate park and other development initiatives totaled \$1,137,481 in 2016. The various funding sources for the major grant revenue recognized during the year are described below.

- \$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).
- \$205,780 PILOT Increment Financing, flowing through the GCEDC to support development of the GVAB.
- \$45,000 Community Development Block Grant (CDBG) grant supporting US Gypsum project.

- \$734,000 Community Development Block Grant (CDBG) grant supporting two loans to PW Minor.
- \$48,804 Community Development Block Grant (CDBG) grant supporting Buffalo East Tech Park infrastructure improvements.
- \$8,733 ECMC Foundation Grant supporting workforce development initiatives.

Activities

The activities of the GGLDC are organized on the basis of nine 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 NYS 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 were continued in 2016 resulting in site visits from potential customers.

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 park is fully shovel-ready and marketing promotional efforts continued in 2016.

The **Genesee Valley Agri-Business Park** is a 250 acre agri-business park and food processing park focused on attracting food processing and related companies to the site. The park is currently home to Alpina Foods, Inc., Dairy Farmers of America and Marktec Industries. This park is fully shovel-ready. The park has seen numerous site visits in the past year for companies who are looking to construct new production and manufacturing facilities. In 2017, the GGLDC plans on utilizing an existing rail grant to attract a new tenant to the Genesee Valley Agri-Business Park, along with utilizing a Consolidated Funding Award to extend infrastructure along the newly constructed access road.

MedTech Park, 34 acre 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 MedTech Park continued in 2016.

WNY STAMP (Science and Technology Advanced Manufacturing Park) is a 1,250 acre advanced manufacturing park located 5 miles north of I-90 Exit 48A in the Town of Alabama. The GGLDC currently owns 53 acres within the STAMP site. Most of the WNY STAMP site is owned by the GCEDC and development activities are currently being undertaken by the GCEDC.

MedTech Centre is a 43,000 square foot building known as the Dr. Bruce A. Holm Upstate MedTech Centre and is located within the 34 acre MedTech Park near Genesee Community College (GCC). 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 residents of Genesee and surrounding counties. GCEDC and GGLDC offices are also located on the first floor. The facility also offers 6,000 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 expanded the amount of space they are renting in 2014 with buildout of some of the existing vacant space. This also enabled the GGLDC to build the new Innovation Zone space that is available to companies in the community offering office space and

video teleconferencing abilities at a low cost. It also creates a welcoming environment for young entrepreneurs to get together, share their ideas and cultivate new business opportunities.

In 2016, marketing the space available at the Centre as a lifecycle solution for young entrepreneurial firms as they grow and develop in our community continued, along with marketing of the Innovation Zone to entrepreneurs.

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.

Batavia Micropolitan Area Redevelopment Fund is a low interest loan fund established to foster investments in business districts across the Batavia Micropolitan area which facilitates redevelopment of underutilized buildings and sites.

Capital Assets

The following table summarizes the changes in GGLDC capital assets between fiscal years 2016 and 2015:

Changes in Capital Assets between Fiscal Years 2016 and 2015

Financial Highlights

	2016	2015	Increase / (Decrease)
Furniture & Equipment	\$ 43,700	\$ 41,550	\$ 2,150
Building and Improvements	\$ 7,126,776	\$ 7,123,126	\$ 3,650
Less Accumulated Depreciation	\$ 1,186,388	\$ 990,992	\$ 195,396
Net Capital Assets	\$ 5,984,088	\$ 6,173,684	\$ (189,596)
Land Held for Development & Sale	\$ 6,979,291	\$ 6,910,146	\$ 69,145

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, 2016

ASSETS:

Current assets:

Cash & cash equivalents	\$	2,198,925
Grants receivable		64,101
Prepaid expenses		905
Loans & mortgages receivable - current portion		423,774
Notes receivable- current portion		113,975
Total current assets		<u>2,801,680</u>

Noncurrent assets:

Notes receivable- noncurrent portion		117,092
Loans & mortgages receivable - noncurrent portion (net of \$149,438 allowance for bad debts)		924,628
Land held for development & sale		6,979,291
Capital assets, net		5,984,088
Total noncurrent assets		<u>14,005,099</u>

Total assets 16,806,779

LIABILITIES:

Current liabilities:

Accounts payable		71,284
Security deposits payable		108,680
Unearned revenue		45,411
Bond payable - current portion		274,417
Loans payable - current portion		68,085
Total current liabilities		<u>567,877</u>

Noncurrent liabilities:

Bond payable - noncurrent portion		3,594,297
Loans payable - noncurrent portion		2,562,809
Total noncurrent liabilities		<u>6,157,106</u>

Total liabilities 6,724,983

NET POSITION:

Net investment in capital assets		39,956
Restricted		601,448
Unrestricted		9,440,392

Total net position \$ 10,081,796

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

Year Ended December 31, 2016

OPERATING REVENUES:

Fees	\$	6,250
Grant income		1,137,481
Interest income on loans		37,938
Miscellaneous income		1,865
Rent		672,900
Total operating revenues		<u>1,856,434</u>

OPERATING EXPENSES:

Bad debt expense		100,000
Conferences & meetings		694
Depreciation		195,396
Fees & permits		484
Finance charge expense		4,563
Grant expense		345,000
Insurance		24,753
Marketing program		597
Miscellaneous expense		214
Professional fees		158,242
Site maintenance		50,335
Special district fees		21,862
Supplies		1,102
Telephone		1,238
Utilities		16,594
Total operating expenses		<u>921,074</u>

Net operating income 935,360

NON-OPERATING REVENUES (EXPENSES):

Interest expense		(323,333)
Other interest income		10,477
Total non-operating expenses		<u>(312,856)</u>

Change in net position 622,504

Net position - beginning 9,459,292

Net position - ending \$ 10,081,796

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Fees	\$	6,250
Grant income		1,597,047
Payment received on note		110,942
Interest income on loans		48,625
Miscellaneous income		3,215
Rental income		672,900
Issuance/repayments of loans (net)		(363,793)
Conferences & meetings		(694)
Finance charges		(4,563)
Grant expense		(300,000)
Purchase/improvements of land held for development & sale		(79,785)
Insurance		(24,260)
Marketing program		(2,597)
Miscellaneous expense		(214)
Professional fees		(161,657)
Fees & permits		(484)
Site development		(1,620)
Site maintenance		(50,161)
Special district fees		(21,862)
Supplies		(1,080)
Telecommunications		(1,134)
Utilities		(13,982)
Net cash provided by operating activities		<u>1,411,093</u>

CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES:

Line of credit repayments		<u>(188,344)</u>
Net cash used by noncapital financing activities		<u>(188,344)</u>

CASH FLOWS USED BY CAPITAL & RELATED FINANCING ACTIVITIES:

Principal payments on bonds & loans		(641,316)
Interest paid on bonds & loans		(325,944)
Purchase/improvements of capital assets		(2,150)
Net cash used by capital & related financing activities		<u>(969,410)</u>

CASH FROM INVESTING ACTIVITIES:

Interest income		<u>10,477</u>
Net cash from investing activities		<u>10,477</u>

Net increase in cash and cash equivalents 263,816

Cash and cash equivalents - beginning of year 1,935,109

Cash and cash equivalents - end of year \$ 2,198,925

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

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

Net operating revenue	\$	935,360
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation expense		195,396
Increase in loans & mortgages receivable		(263,793)
Increase in land held for development & sale		(69,145)
Decrease in deposits		560
Decrease in accounts receivable		12,107
Decrease in grants receivable		468,769
Decrease in prepaid expenses		493
Increase in operating accounts payable		29,655
Decrease in note receivable		110,942
Decrease in unearned revenue		(9,251)
Total adjustments		<u>475,733</u>
Net cash provided by operating activities	\$	<u><u>1,411,093</u></u>

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED 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 Industrial Development Agency D/B/A 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 Statement 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 Statement No. 39, including legal standing, fiscal dependency, and financial accountability.

Management has evaluated the provisions of GASB Statement No. 14 - *The Financial Reporting Entity* and GASB Statement 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).

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 consolidated 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 consolidated 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 consolidated 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 fund, Ag Park fund, Med Tech Park fund, WNY STAMP fund, Med Tech Centre fund, Economic Development Loan fund, and Batavia Micropolitan Area Redevelopment Loan fund.

Consolidated Financial Statement Presentation: The consolidated financial statements include the accounts of the GGLDC and the Genesee Agri-Business, LLC. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis Of Accounting: The GGLDC's financial statements are prepared in conformity with accounting principles generally accepted in the United States as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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.

Net Position: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and related debt.
- b. Restricted - Consists of net positions with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Income Taxes: The GGLDC is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made on the accompanying financial statements.

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 Genesee Agri-Business, LLC (GAB, LLC): Equity Investment in GAB, LLC represents the GGLDC's investment in Genesee Agri-Business, 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 change in net position plus any contributions made by GGLDC.

Advances: The GGLDC reports unearned revenue on its statement of net position. 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.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accounting Pronouncements: During the fiscal year ended December 31, 2016, the GGLDC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The primary objective of Statement No. 72 is to define fair value, how fair value is measured, what assets and liabilities should be measured at fair value, and what information about fair value should be reported in the notes to the financial statements.

The primary objective of Statement No. 76 is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP).

The primary objective of Statement No. 77 is to require governments that enter into tax abatement agreements to disclose information about the tax abatement agreements and those that are entered into by other governments.

The GGLDC has evaluated Statements No. 73, 77, 78 and 79 and have determined that they have no impact on the GGLDC's operations.

The GASB has issued the following new pronouncements:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which will be effective for the year ending December 31, 2017;
- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending December 31, 2018;
- Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, which will be effective for the year ending December 31, 2017;
- Statement No. 81, *Split-Interest Agreements*, which will be effective for the year ending December 31, 2017;
- Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, which will be effective for the year ending December 31, 2018; and
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019.

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

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 30, 2017 which is the date these financial statements were available to be issued.

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 Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State. The GGLDC is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its agencies, repurchase agreements and obligations of the State and its localities.

Investment and Deposit Policy: 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's 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.

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 the State of New York and its localities.

As of December 31, 2016, cash balances of \$67,254 were not collateralized or covered by FDIC insurance. In February 2016, the GGLDC entered into a custody agreement with The Bank of Castile to obtain collateral for bank balances not covered by FDIC insurance.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2016:

		<u>Current</u>	<u>Noncurrent</u>
First Wave Technologies	Interest only through January 2015, thereafter monthly payments for 3.5 years at 5.25% interest, maturing July 2018.	\$ 237,354	\$ 88,287
Alpina Foods, Inc.	Monthly payments for 5 years at 0% interest, maturing July 2018.	42,900	27,300
Yancey's Fancy, Inc. #3	Monthly payments for 7 years at 3% interest, maturing February 2020.	21,931	49,832
Yancey's Fancy, Inc. #4	Monthly payments for 7 years at 3% interest, maturing January 2021.	28,449	93,281
13 Jackson Square, LLC	Payments of interest only for 12 months, thereafter monthly payments for 9 years at 3% interest, maturing July 2024.	9,692	65,331
PW Minor, LLC	Monthly payments for 5 years at 3% interest, maturing November 2020.	24,301	75,182
PW Minor, LLC #2	Payments of interest only for 12 months, thereafter monthly payments For 4 years at 2% interest, maturing April 2021.	59,147	307,853
PW Minor, LLC #3 (Deferred Loan)	No interest shall accrue on the outstanding principal; matures April 2021.	-	367,000
Total loans receivable		<u>\$ 423,774</u>	<u>\$ 1,074,066</u>

The GGLDC estimated an allowance for bad debts in the Operating Fund of \$149,438, which is considered by management to be sufficient for any losses.

NOTE 4 NOTE RECEIVABLE

In 2014, the GAB, LLC entered into a purchase and sale agreement with Alpina Foods, Inc. related to the sale of 10 acres of land at the Genesee Valley Agri-Business Park. The purchase price was \$500,000, of which \$50,000 was received at closing. The balance of \$450,000 is to be paid in four installments. The note receivable has an interest rate of 2.7%. Future payments will be as follows:

2017	113,975
2018	<u>117,092</u>
Total	<u>\$231,067</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the GGLDC for the year ended December 31, 2016 was as follows:

	<u>Balance</u> <u>01/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Capital assets being depreciated				
Building and improvements	\$ 7,123,126	\$ 3,650-	\$ -	\$ 7,126,776
Furniture and equipment	<u>41,550</u>	<u>2,150</u>	<u>-</u>	<u>43,700</u>
Total capital assets being depreciated	<u>7,164,676</u>	<u>5,800</u>	<u>-</u>	<u>7,170,476</u>
Less accumulated depreciation:				
Building and improvements	973,654	187,220	-	1,160,874
Furniture and equipment	<u>17,338</u>	<u>8,176</u>	<u>-</u>	<u>25,514</u>
Total accumulated depreciation	<u>990,992</u>	<u>195,396</u>	<u>-</u>	<u>1,186,388</u>
Total capital assets being depreciated, net	<u>\$ 6,173,684</u>	<u>\$ (189,596)</u>	<u>\$ -</u>	<u>\$ 5,984,088</u>

NOTE 6 LAND HELD FOR DEVELOPMENT AND SALE

Land held for development and sale activity for the year ended December 31, 2016 was as follows:

	<u>Balance</u> <u>01/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Land held for development and sale:				
GGLDC	\$ 3,788,635	\$ 69,145	\$ -	\$ 3,857,780
GAB, LLC	<u>3,121,511</u>	<u>-</u>	<u>-</u>	<u>3,121,511</u>
Total land held for development and sale	<u>\$ 6,910,146</u>	<u>\$ 69,145</u>	<u>\$ -</u>	<u>\$ 6,979,291</u>

NOTE 7 UNEARNED REVENUE

The GGLDC leases space in the Med Tech Centre building to the GCEDC, Genesee Community College, United Memorial Medical Center and First Wave Technologies, Inc. At December 31, 2016, rent received in advance totaled \$35,756.

In 2015, the GGLDC received grants of \$35,000 from Frontier ABC, LLC, \$15,000 from the Town of LeRoy and \$15,000 from American Express in support of the GGLDC's participation in an America's Best Communities competition. As of December 31, 2016, \$55,535 of these funds were expended. The balance of \$9,465 will be recognized when qualifying expenditures when they are made.

Interest received in advance related to loans receivable totaled \$190 at December, 31, 2016.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LINE OF CREDIT

In February 2011, the GGLDC obtained a revolving line of credit from Five Star Bank for \$700,000. The 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 the 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, 2016, there was a zero balance drawn against the line of credit.

NOTE 9 LOANS PAYABLE

Upon completion of construction of the MedTech Centre building in 2010, the GGLDC converted a construction loan into permanent financing. Permanent financing consists of a loan payable to the United States Department of Agriculture and two bonds payable to Five Star Bank (See Note 10). The debt is secured by the MedTech Centre building, along with any fixtures within.

The loan payable to the United States Department of Agriculture, with an original amount of \$3,000,000, is due in monthly installments of \$14,340 with an interest rate of 4%, maturing September 2040, or until paid in full. At December 31, 2016, there was a balance of \$2,630,894.

Current maturities of loans payable are as follows for the years ending December 31:

	<u>GGLDC</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 68,085	\$ 103,995
2018	70,857	101,223
2019	73,744	98,336
2020	76,749	98,331
2021	79,875	92,205
2022-2026	450,925	409,475
2027-2031	550,577	309,823
2032-2040	672,253	188,147
2040	<u>587,829</u>	<u>45,297</u>
Total	<u>\$ 2,630,894</u>	<u>\$ 1,446,832</u>

NOTE 10 BONDS 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, principal available increased to \$1,462,000. All other terms remain the same.

In September 2010, the GGLDC closed on two bonds with Five Star Bank providing permanent financing related to construction of the MedTech Centre building.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 BONDS PAYABLE (Continued)

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	\$ 555,476
MedTech Centre – Taxable	09/10	\$1,078,095	6.64%	09/35	943,739
MedTech Centre – Tax Exempt	09/10	\$2,821,905	4.44%	09/35	<u>2,369,499</u>
					<u>\$3,868,714</u>

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 274,417	\$ 183,111
2018	301,053	182,679
2019	314,573	166,947
2020	127,130	150,822
2021	134,161	143,791
2022-2026	782,910	606,850
2027-3031	1,011,345	377,414
2032-2035	<u>923,125</u>	<u>92,605</u>
Totals	\$ <u>3,868,714</u>	\$ <u>1,904,219</u>

NOTE 11 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).

The GAB, LLC was formed in December 2007 to engage in business that furthers the development of the Genesee Valley Agri-Business Park. The GGLDC is the sole member of the GAB, LLC.

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. This lease was amended in October 2015 to include an additional 1,400 square feet space. The annual rent is \$17,597 to be paid in equal monthly installments. At December 31, 2016, the GGLDC held a \$2,832 security deposit from the GCEDC as required by the lease agreement.

The GGLDC granted \$300,000 to the GCEDC in 2016 to support the continuing economic development program.

The GCEDC is a co-borrower on a \$3M loan to the GGLDC from the United States Department of Agriculture received on September 3, 2010. The loan has an interest rate of 4% and a term of 30 years. There was an outstanding balance of \$2,625,323 at December 31, 2016.

The GCEDC is a co-borrower on a \$700,000 line of credit that the GGLDC obtained from Five Star Bank in 2011. The line carries an interest rate equal to prime rate, with a floor of 4%. At December 31, 2016, there were no funds drawn against this line.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 RELATED PARTY TRANSACTIONS (Continued)

The GGLDC is a guarantor on four loans totaling \$5,196,487 to the GCEDC from Empire State Development. The loans have a 0% interest rate with no principal payment due for the first five years. At the end of the fifth year, Empire State Development will make a determination as to whether to (1) require a full principal balloon payment; (2) waive the obligation to repay the loans; or (3) extend the loans for another five year term with payment terms to be determined.

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 2016. Payments of \$93,000 will be received annually from 2017 through 2027.

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, 2016 is as follows:

Balance at the beginning of year	\$ 3,220,240
Net contributions	<u>-</u>
Total equity investment at end of year	<u>\$ 3,220,240</u>

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, 2016, 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 30, 2017.

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.

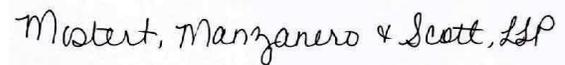
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.

A handwritten signature in black ink that reads "Mistert, Manzanero & Scott, LLP". The signature is written in a cursive style and is positioned on the right side of the page.

Oneonta, New York
March 30, 2017

SECTION C
SUPPLEMENTARY INFORMATION

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 CONSOLIDATING STATEMENT OF NET POSITION
 December 31, 2016

	Genesee Gateway Local Development Corporation	Genesee Agri- Business LLC	Eliminations	Total
ASSETS:				
Current assets:				
Cash & cash equivalents	\$ 2,142,701	\$ 56,224	\$ -	\$ 2,198,925
Grants receivable	64,101	-	-	64,101
Prepaid expenses	905	-	-	905
Loans & mortgages receivable - current portion	423,774	-	-	423,774
Notes receivable- current portion	-	113,975	-	113,975
Total current assets	<u>2,631,481</u>	<u>170,199</u>	<u>-</u>	<u>2,801,680</u>
Noncurrent assets:				
Notes receivable- noncurrent portion	-	117,092	-	117,092
Loans & mortgages receivable- noncurrent portion (net of \$149,438 allowance for bad debts)	924,628	-	-	924,628
Land held for development & sale	3,857,780	3,121,511	-	6,979,291
Capital assets, net	5,984,088	-	-	5,984,088
Equity investment in GAB, LLC	3,220,240	-	(3,220,240)	-
Total noncurrent assets	<u>13,986,736</u>	<u>3,238,603</u>	<u>(3,220,240)</u>	<u>14,005,099</u>
Total assets	<u>16,618,217</u>	<u>3,408,802</u>	<u>(3,220,240)</u>	<u>16,806,779</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	70,238	1,046	-	71,284
Security deposits payable	108,680	-	-	108,680
Unearned revenue	45,411	-	-	45,411
Bond payable - current portion	274,417	-	-	274,417
Loans payable - current portion	68,085	-	-	68,085
Total current liabilities	<u>566,831</u>	<u>1,046</u>	<u>-</u>	<u>567,877</u>
Noncurrent liabilities:				
Bond payable - noncurrent portion	3,594,297	-	-	3,594,297
Loans payable - noncurrent portion	2,562,809	-	-	2,562,809
Total noncurrent liabilities	<u>6,157,106</u>	<u>-</u>	<u>-</u>	<u>6,157,106</u>
Total liabilities	<u>6,723,937</u>	<u>1,046</u>	<u>-</u>	<u>6,724,983</u>
NET POSITION:				
Net investment in capital assets	39,956	-	-	39,956
Restricted	601,448	-	-	601,448
Unrestricted	9,252,876	3,407,756	(3,220,240)	9,440,392
Total net position	<u>\$ 9,894,280</u>	<u>\$ 3,407,756</u>	<u>\$ (3,220,240)</u>	<u>\$ 10,081,796</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2016**

	Genesee Gateway Local Development Corporation	Genesee Agri- Business LLC	Eliminations	Total
OPERATING REVENUES:				
Fees	\$ 750	\$ 5,500	\$ -	\$ 6,250
Grant income	1,137,481	-	-	1,137,481
Interest income on loans	37,938	-	-	37,938
Miscellaneous income	1,865	-	-	1,865
Rent	672,900	-	-	672,900
Total operating revenues	<u>1,850,934</u>	<u>5,500</u>	<u>-</u>	<u>1,856,434</u>
OPERATING EXPENSES:				
Bad debt expense	100,000	-	-	100,000
Conferences & meetings	694	-	-	694
Depreciation	195,396	-	-	195,396
Fees & permits	450	34	-	484
Finance charge expense	4,563	-	-	4,563
Grant expense	345,000	-	-	345,000
Insurance	24,753	-	-	24,753
Marketing program	597	-	-	597
Miscellaneous expense	214	-	-	214
Professional fees	154,611	3,631	-	158,242
Site maintenance	50,335	-	-	50,335
Special district fees	10,498	11,364	-	21,862
Supplies	1,102	-	-	1,102
Telephone	1,238	-	-	1,238
Utilities	16,594	-	-	16,594
Total operating expenses	<u>906,045</u>	<u>15,029</u>	<u>-</u>	<u>921,074</u>
Net operating income (loss)	<u>944,889</u>	<u>(9,529)</u>	<u>-</u>	<u>935,360</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(316,574)	(6,759)	-	(323,333)
Other interest income	1,098	9,379	-	10,477
Total non-operating expenses	<u>(315,476)</u>	<u>2,620</u>	<u>-</u>	<u>(312,856)</u>
Change in net position	629,413	(6,909)	-	622,504
Net position - beginning	<u>9,264,867</u>	<u>3,414,665</u>	<u>(3,220,240)</u>	<u>9,459,292</u>
Net position - ending	<u>\$ 9,894,280</u>	<u>\$ 3,407,756</u>	<u>\$ (3,220,240)</u>	<u>\$ 10,081,796</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF NET POSITION
 December 31, 2016

	Operating Fund	Gateway II Fund	Buffalo East Fund	Ag Park Fund	Med Tech Park Fund	WNY STAMP Fund	Med Tech Centre Fund	Economic Development Loan Fund	Batavia Micropolitan Area Redevelopment Loan Fund	Total
ASSETS:										
Current assets:										
Cash & cash equivalents	\$ 369,277	\$ -	\$ 382,699	\$ 262,831	\$ -	\$ -	\$ 478,870	\$ 216,145	\$ 432,879	\$ 2,142,701
Grants receivable	55,512	-	8,589	-	-	-	-	-	-	64,101
Prepaid expenses	905	-	-	-	-	-	-	-	-	905
Due to/from other funds	4,681	-	(125,836)	190,718	-	(71,748)	2,185	-	-	-
Loans & mortgages receivable - current portion	339,401	-	-	-	-	-	-	74,681	9,692	423,774
Total current assets	<u>769,776</u>	<u>-</u>	<u>265,452</u>	<u>453,549</u>	<u>-</u>	<u>(71,748)</u>	<u>481,055</u>	<u>290,826</u>	<u>442,571</u>	<u>2,631,481</u>
Noncurrent assets:										
Loans & mortgages receivable - noncurrent portion (net of \$149,438 allowance for bad debts)	641,002	-	-	-	-	-	-	218,295	65,331	924,628
Land held for development & sale	-	1,512,696	1,649,087	-	214,166	161,281	320,550	-	-	3,857,780
Furniture & equipment	-	-	-	-	-	-	43,700	-	-	43,700
Buildings & improvements	-	-	-	-	-	-	7,126,776	-	-	7,126,776
Less: accumulated depreciation	-	-	-	-	-	-	(1,186,388)	-	-	(1,186,388)
Equity investment in GAB, LLC	-	-	-	3,220,240	-	-	-	-	-	3,220,240
Total noncurrent assets	<u>641,002</u>	<u>1,512,696</u>	<u>1,649,087</u>	<u>3,220,240</u>	<u>214,166</u>	<u>161,281</u>	<u>6,304,638</u>	<u>218,295</u>	<u>65,331</u>	<u>13,986,736</u>
Total assets	<u>1,410,778</u>	<u>1,512,696</u>	<u>1,914,539</u>	<u>3,673,789</u>	<u>214,166</u>	<u>89,533</u>	<u>6,785,693</u>	<u>509,121</u>	<u>507,902</u>	<u>16,618,217</u>
LIABILITIES:										
Current liabilities:										
Accounts payable	62,066	-	-	-	-	-	8,172	-	-	70,238
Security deposits payable	-	-	-	-	-	-	108,680	-	-	108,680
Unearned revenue	9,465	-	-	-	-	-	35,756	-	190	45,411
Bond payable - current portion	-	-	-	176,452	-	-	97,965	-	-	274,417
Loans payable - current portion	-	-	-	-	-	-	68,085	-	-	68,085
Total current liabilities	<u>71,531</u>	<u>-</u>	<u>-</u>	<u>176,452</u>	<u>-</u>	<u>-</u>	<u>318,658</u>	<u>-</u>	<u>190</u>	<u>566,831</u>
Noncurrent Liabilities										
Bond payable - noncurrent portion	-	-	-	379,024	-	-	3,215,273	-	-	3,594,297
Loans payable - noncurrent portion	-	-	-	-	-	-	2,562,809	-	-	2,562,809
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,024</u>	<u>-</u>	<u>-</u>	<u>5,778,082</u>	<u>-</u>	<u>-</u>	<u>6,157,106</u>
Total Liabilities	<u>71,531</u>	<u>-</u>	<u>-</u>	<u>555,476</u>	<u>-</u>	<u>-</u>	<u>6,096,740</u>	<u>-</u>	<u>190</u>	<u>6,723,937</u>
NET POSITION:										
Net investment in capital assets	-	-	-	-	-	-	39,956	-	-	39,956
Restricted	-	-	373,928	-	-	-	227,520	-	-	601,448
Unrestricted	1,339,247	1,512,696	1,540,611	3,118,313	214,166	89,533	421,477	509,121	507,712	9,252,876
Total net position	<u>\$ 1,339,247</u>	<u>\$ 1,512,696</u>	<u>\$ 1,914,539</u>	<u>\$ 3,118,313</u>	<u>\$ 214,166</u>	<u>\$ 89,533</u>	<u>\$ 688,953</u>	<u>\$ 509,121</u>	<u>\$ 507,712</u>	<u>\$ 9,894,280</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Year Ended December 31, 2016

	Operating Fund	Gateway II Fund	Buffalo East Fund	Ag Park Fund	Med Tech Park Fund	WNY STAMP Fund	Med Tech Centre Fund	Economic Development Loan Fund	Batavia Metropolitan Area Redevelopment Loan Fund	Total
OPERATING REVENUES:										
Fees	\$ 250	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750
Grant income	801,757	-	144,305	190,683	-	736	-	-	-	1,137,481
Interest income on loans	25,324	-	-	-	-	-	-	9,972	2,642	37,938
Miscellaneous income	1,400	-	-	-	-	-	465	-	-	1,865
Rent	-	-	-	4,370	840	-	667,690	-	-	672,900
Total operating revenues	<u>828,731</u>	<u>-</u>	<u>144,805</u>	<u>195,053</u>	<u>840</u>	<u>736</u>	<u>668,155</u>	<u>9,972</u>	<u>2,642</u>	<u>1,850,934</u>
OPERATING EXPENSES:										
Bad debt expense	100,000	-	-	-	-	-	-	-	-	100,000
Conferences & meetings	694	-	-	-	-	-	-	-	-	694
Depreciation	-	-	-	-	-	-	195,396	-	-	195,396
Fees & permits	-	-	-	450	-	-	-	-	-	450
Finance charge expense	-	-	-	-	-	4,563	-	-	-	4,563
Grant expense	345,000	-	-	-	-	-	-	-	-	345,000
Insurance	5,923	923	916	2,068	-	787	14,136	-	-	24,753
Marketing program	-	-	-	-	-	597	-	-	-	597
Miscellaneous expense	214	-	-	-	-	-	-	-	-	214
Professional fees	71,095	-	910	805	-	175	81,626	-	-	154,611
Site maintenance	-	3,388	3,050	5,000	2,500	-	36,397	-	-	50,335
Special district fees	-	610	1,302	-	324	72	8,190	-	-	10,498
Supplies	253	-	-	-	-	-	849	-	-	1,102
Telecommunications	-	-	-	-	-	-	1,238	-	-	1,238
Utilities	-	-	-	-	-	-	16,594	-	-	16,594
Total operating expenses	<u>523,179</u>	<u>4,921</u>	<u>6,178</u>	<u>8,323</u>	<u>2,824</u>	<u>6,194</u>	<u>354,426</u>	<u>-</u>	<u>-</u>	<u>906,045</u>
Operating income (loss)	305,552	(4,921)	138,627	186,730	(1,984)	(5,458)	313,729	9,972	2,642	944,889
NON-OPERATING REVENUES (EXPENSES):										
Interfund revenue	126,209	5,271	6,178	139,979	2,755	860	-	-	-	281,252
Interfund expenditure	(68,773)	-	-	(211,362)	(420)	-	(697)	-	-	(281,252)
Interest expense	-	-	(406)	(38,149)	-	-	(278,019)	-	-	(316,574)
Other interest income	436	-	155	44	-	2	160	-	209	1,098
Total non-operating revenues (expenses)	<u>57,872</u>	<u>5,271</u>	<u>5,927</u>	<u>(109,488)</u>	<u>2,335</u>	<u>862</u>	<u>(278,556)</u>	<u>92</u>	<u>209</u>	<u>(315,476)</u>
Change in net position	363,424	350	144,554	77,242	351	(4,596)	35,173	10,064	2,851	629,413
Net position - beginning	975,823	1,512,346	1,769,985	3,041,071	213,815	94,129	653,780	499,057	504,861	9,264,867
Net position - ending	<u>\$ 1,339,247</u>	<u>\$ 1,512,696</u>	<u>\$ 1,914,539</u>	<u>\$ 3,118,313</u>	<u>\$ 214,166</u>	<u>\$ 89,533</u>	<u>\$ 688,953</u>	<u>\$ 509,121</u>	<u>\$ 507,712</u>	<u>\$ 9,894,280</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
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

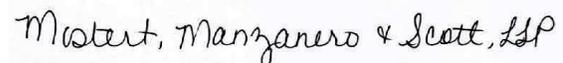
Report on Internal Control Over Compliance

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 the Uniform Guidance, 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 describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Oneonta, New York
March 30, 2016

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2016

<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 Housing and Urban Development:			
Pass through NYS Office of Community Renewal and the County of Genesee Community Development Block Grant	14.228	444ED795-13	48,804
Pass through NYS Office of Community Renewal and the Town of Oakfield Community Development Block Grant	14.228	832ED797-14	50,232
Pass through NYS Office of Community Renewal and the County of Genesee Community Development Block Grant	14.228	444ED846-15	<u>744,977</u>
Total Expenditures of Federal Awards			<u>\$ 844,013</u>

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, 2016

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on whether the financial statements of the GGLDC were prepared in accordance with accounting principles generally accepted in the United States.
2. No significant deficiencies related to the audit of the financial statements are 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 for each major program and on internal control over compliance required by the Uniform Guidance..
5. The auditors' report on compliance of the major federal award program for the GGLDC expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(A) are reported in 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 \$750,000.
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, 2016

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

- NONE -

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

- NONE -