

GENESEE GATEWAY LOCAL
DEVELOPMENT CORPORATION

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

Year Ended December 31, 2014

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, 2014, 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, 2014, 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.

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 taken as a whole. The supplementary information in Section C is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary 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 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015 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.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
March 30, 2015

Genesee Gateway Local Development Corporation
Management's Discussion and Analysis
Year Ended December 31, 2014

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, 2014 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.

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 two yogurt plants, Alpina Foods, Inc. and Muller Quaker Dairy, LLC along with food processing support company Marktec Products, Inc.

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

	2014	2013	Higher/ (Lower) Prior Year	% Increase (Decrease)
Decrease in Cash & Cash Equivalents	\$ 1,551,475	\$ 2,781,715	\$ (1,230,240)	(44%)
Decrease in Total Current Assets	\$ 3,223,009	\$ 4,474,722	\$ (1,251,713)	(28%)
Decrease in Land Held for Development & Sale	\$ 6,859,185	\$ 7,250,543	\$ (391,358)	(5%)
Increase in Capital Assets, Net	\$ 6,348,237	\$ 6,267,959	\$ 80,278	1%
Decrease in Total Current Liabilities	\$ 1,296,489	\$ 2,009,518	\$ (713,029)	(35%)
Decrease in Total Noncurrent Liabilities	\$ 7,149,912	\$ 7,866,573	\$ (716,661)	(9%)
Increase in Total Net Position	\$ 9,232,608	\$ 9,013,592	\$ 219,016	2%
Revenues from Property Rentals	\$ 660,754	\$ 657,395	\$ 3,359	1%
Revenues from Grants	\$ 1,373,468	\$ 2,147,072	\$ (773,604)	(36%)
Operating Revenues	\$ 3,080,743	\$ 2,900,267	\$ 180,476	6%
Operating Expenses	\$ 2,493,571	\$ 2,275,770	\$ 217,801	10%
Net Operating Revenues	\$ 587,172	\$ 624,497	\$ (37,325)	(6%)

The decrease in cash and cash equivalents of \$1,230,240 (-44%) is primarily attributable to:

- A portion of the cumulative annual payments received from Darien Lake pursuant to a 2008 Community Benefit Agreement were used in 2014 for infrastructure development at Buffalo East Tech Park (BETP).
- Funds generated from previous year land sales were used to:
 - Pay debt service of \$250,000 on a loan related to land acquired in 2013 expanding the GVAB;
 - Fund the first Batavia Micropolitan Area Redevelopment Loan disbursement of \$100,000 made to 13 Jackson Square, LCC to support the company's project of converting an old warehouse into a mixed-use, commercial and residential site;
 - Disburse two loans to the GCEDC totaling \$337,813 filling a timing gap created by reimbursement based grants. The loans funded property acquisition and a systems interconnect study related to the development of the Western New York Science and Technology Advanced Manufacturing Park (STAMP).
- MedTech Center Escrow funds were used for the renovation and build-out of additional commercialization space in the MedTech Centre building. Additional commercialization space was built-out and leased to First Wave Technologies to meet their increased needs. Renovations were completed to create a new Innovation Zone that will enhance and foster the entrepreneurial spirit by providing professional creative class space for people to share ideas and work collaboratively.

Total current assets decreased by \$1,251,713 (-28%) which is mostly due to the decrease in cash and cash equivalents.

Land held for development and sale decreased by \$391,358 (-5%) which is attributable to land sales at corporate parks that took place in 2014. Alpina Foods, Inc. purchased 10 acres of land at the GVAB and Yancey's Fancy acquired approximately 10 acres of land at the Buffalo East Technology Park (BETP).

Current liabilities decreased by \$713,029 (-35%):

- Accounts payable decreased by \$373,692. 2013 accounts payable included \$578,145 for site work performed in 2013, but not paid until January 2014.
- Grant funds were used to make payments totaling \$328,552 on the Five Star Bank line of credit reducing the outstanding balance.

Increase in total net position of \$219,016 (2%) is mostly attributable to the Alpina Foods, Inc. land sale at the GVAB. Land sale proceeds of \$500,000 were received and the related cost of sales recognized was \$259,694. The following table summarizes GGLDC's results of operations for the fiscal years ended December 31, 2014 and 2013 and changes between the years:

	2014	2013	% Increase / (Decrease)
OPERATING REVENUES			
Grant Income	\$ 1,373,468	\$ 2,147,072	(36%)
Land Sale Proceeds	\$ 1,000,000	\$ 5,000	19,900%
Fees	\$ 7,000	\$ 3,500	100%
Interest Income on Loans	\$ 38,549	\$ 30,345	27%
Miscellaneous Income	\$ 972	\$ 10,769	(91%)
Rent	\$ 660,754	\$ 657,395	1%
Contributed Land	\$ -	\$ 46,186	N/A
Total Operating Revenues	\$ 3,080,743	\$ 2,900,267	6%
OPERATING EXPENSES			
General & Administrative	\$ 84,225	\$ 27,041	211%
Economic Development Partner Fee	\$ 1,000	\$ -	N/A
Property Related Expenses	\$ 1,658,929	\$ 878,950	89%
Grant Expense	\$ 400,000	\$ 410,000	(2%)
Utilities	\$ 35,603	\$ 30,325	17%
Professional Fees	\$ 313,814	\$ 929,454	(66%)
Total Operating Expenses	\$ 2,493,571	\$ 2,275,770	10%
Net Operating Revenue	\$ 587,172	\$ 624,497	(6%)
NON-OPERATING REVENUES/EXPENSES			
Other Interest Income	\$ 1,222	\$ 2,120	(42%)
Interest Expense	\$ (369,378)	\$ (364,806)	1%
Total Non-Operating Expense	\$ (368,156)	\$ (362,686)	2%
Change in Net Position	\$ 219,016	\$ 261,811	(16%)

Decrease in revenue from grants \$773,604 (-36%) is primarily attributable to:

- See Grant Revenue section for details of grants received in 2014.

Increase in operating revenues of \$180,476 (6%):

- 2014 includes land sale proceeds from sales at the GVAB and BETP.

Increase in operating expenses of \$217,801 (10%):

- An allowance for bad debt was established in 2014 resulting in bad debt expense of \$49,438.
- Cost of sales recorded in 2014 related to land sales at GVAB and BETP.

Grant Revenue

Grant revenue in support of corporate park and other development initiatives totaled \$1,373,468 in 2014. The various funding sources for the major grant revenue recognized during the year are described below.

- \$8,059 NYS Homes and Community Renewal grants; most have an portion of grant funds allocated to administrative costs; this is recognition of revenue related to multiple grants.
- \$10,000 National Grid Foreign Trade Zone grant.
- \$431,726 NYS Homes and Community Renewal grant for BETP infrastructure.
- \$209,305 National Grid grant for BETP infrastructure.
- \$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).
- \$119,070 NYS Homes and Community Renewal grant supporting the Muller Quaker Dairy, LLC project and infrastructure development at the GVAB.
- \$69,466 Federal Economic Development Administration grant supports secondary roadway construction and Aquifer Direct water system at the GVAB. 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.
- \$177,062 Empire State Development and National Grid grants supporting development and marketing of STAMP.
- \$50,000 National Grid grant supporting MedTech Centre build-out of Innovation Zone.

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 Spring of 2014 the GGLDC completed the rezoning and the environmental review (SEQR) of the BETP to support advanced manufacturing. On site sewer was completed by the end of 2014 and is connected to the newly constructed Town of Pembroke sewer. In 2014 Yancey's Fancy chose the BETP to be the site of their 112,000 square foot expansion of their food processing facilities that will be completed in June of 2015.

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 2014 the design activities related to offering low cost process water to companies at the park had begun. In 2014 a secondary access road was designed and constructed allowing the Park to be accessed from Route 5 and Route 63, with the Route 63 intersection improvements to be completed in the Spring of 2015.

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 2014.

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 2014, 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.

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 expanded the amount of space they renting in 2014 with the buildout of some current vacant space. This also enabled the GGLDC to build the new Innovation Zone space that will be available to companies in the community offering office space and video conferencing 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 2014, 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.

Batavia Micropolitan Area Redevelopment Fund A low interest loan fund was 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 2014 and 2013:

Changes in Capital Assets between Fiscal Years 2014 and 2013

Financial Highlights

	2014	2013	Increase / (Decrease)
Land Options	\$ -	\$ -	\$ -
Furniture & Equipment	\$ 21,387	\$ 21,387	\$ -
Building and Improvements	\$ 7,123,126	\$ 6,857,320	\$ 265,806
Less Accumulated Depreciation	\$ 796,276	\$ 610,748	\$ 185,528
Net Capital Assets	\$ 6,348,237	\$ 6,267,959	\$ 80,278
Land Held for Development & Sale	\$ 6,859,185	\$ 7,250,543	\$ (391,358)

Land held for development and sale decreased by \$391,358 mostly resulting from the cost of sales write-off related to land sales at GVAB and BETP.

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, 2014

ASSETS:**Current assets:**

Cash & cash equivalents	\$	1,551,475
Deposits		559
Accounts receivable		4,098
Grants receivable		1,182,326
Deferred interest		4,607
Prepaid expenses		1,388
Loans & mortgages receivable - current portion		157,751
Notes receivable- current portion		107,991
Loans receivable- related party		212,814
Total current assets		<u>3,223,009</u>

Noncurrent assets:

Loans receivable- related party		125,000
Notes receivable- noncurrent portion		342,009
Loans & mortgages receivable - noncurrent portion (net of \$49,438 allowance for bad debts)		781,569
Land held for development & sale		6,859,185
Capital assets, net		6,348,237
Total noncurrent assets		<u>14,456,000</u>

Total assets 17,679,009

LIABILITIES:**Current liabilities:**

Accounts payable		317,130
Line of credit		188,344
Accrued expenses		10,609
Security deposits payable		108,680
Unearned revenue		35,640
Bond payable - current portion		239,743
Loans payable - current portion		396,343
Total current liabilities		<u>1,296,489</u>

Noncurrent liabilities:

Bond payable - noncurrent portion		4,151,942
Loans payable - noncurrent portion		2,876,057
Loan payable - related party		121,913
Total noncurrent liabilities		<u>7,149,912</u>

Total liabilities 8,446,401

NET POSITION:

Net investment in capital assets		79,500
Restricted		338,642
Unrestricted		8,814,466
Total net position	\$	<u>9,232,608</u>

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

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

Year Ended December 31, 2014

OPERATING REVENUES:

Fees	\$	7,000
Grant income		1,373,468
Interest income on loans		38,549
Land sale proceeds		1,000,000
Miscellaneous income		972
Rent		660,754
Total operating revenues		<u>3,080,743</u>

OPERATING EXPENSES:

Bad debt expense		49,438
Cost of sales		769,588
Depreciation		185,528
Economic development partner fee		1,000
Fees & permits		636
Finance charge expense		16,363
Furniture & equipment		7,518
Grant expense		400,000
Insurance		26,910
Marketing program		8,520
Miscellaneous expense		1,241
Professional fees		313,814
Site development		597,125
Site maintenance		53,946
Special district fees		24,027
Supplies		1,145
Telephone		1,169
Utilities		35,603
Total operating expenses		<u>2,493,571</u>
Net operating income		<u>587,172</u>

NON-OPERATING REVENUES (EXPENSES):

Interest expense		(369,378)
Other interest income		1,222
Total non-operating expenses		<u>(368,156)</u>

Change in net position		219,016
Net position - beginning		<u>9,013,592</u>
Net position - ending	\$	<u><u>9,232,608</u></u>

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Fees	\$	7,000
Grant income		1,604,738
Land sale proceeds		550,000
Interest income on loans		35,666
Miscellaneous income		972
Rental income		660,645
Issuance/repayments of loans (net)		(164,356)
Cost of sales/closing costs		(36,439)
Economic Development partner fee		(1,000)
Finance charges		(16,363)
Furniture & equipment		(7,518)
Grant expense		(400,000)
Purchase/improvements of land held for development & resale		(173,046)
Insurance		(28,154)
Marketing program		(3,520)
Miscellaneous expense		(1,251)
Professional fees		(407,040)
Fees & permits		(636)
Site development		(1,050,880)
Site maintenance		(50,136)
Special district fees		(24,027)
Supplies		(1,494)
Telephone		(1,169)
Utilities		(36,855)
Net cash provided by operating activities		<u>455,137</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Line of credit repayments		<u>(328,552)</u>
Net cash used in noncapital financing activities		<u>(328,552)</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Principal payments on bonds & loans		(717,863)
Interest paid on bonds & loans		(374,378)
Purchase/improvements of capital assets		<u>(265,806)</u>
Net cash used in capital & related financing activities		<u>(1,358,047)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income		<u>1,222</u>
Net cash provided by investing activities		<u>1,222</u>

Net decrease in cash & cash equivalents

(1,230,240)

Cash & cash equivalents - beginning

2,781,715

Cash & cash equivalents - ending

\$ 1,551,475

See accompanying notes.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

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

Net operating revenue	\$	587,172
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation expense		185,528
Increase in loans receivable		(114,918)
Decrease in land held for development and resale		391,358
Decrease in deposits		1,601
Increase in accounts receivable		(3,035)
Decrease in grant receivable		231,270
Increase in prepaid expenses		(72)
Decrease in accounts payable		(373,692)
Increase in Note receivable		(450,000)
Decrease in deferred revenues		(75)
Total adjustments		<u>(132,035)</u>
Net cash provided by operating activities	\$	<u><u>455,137</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 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 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 South fund, Ag Park fund, Med Tech Park fund, WNY STAMP fund, Med Tech Centre fund, Economic Development Loan fund, and Batavia Metropolitan 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 Genesee Gateway Local Development Corporation's (GGLDC) financial statements are prepared in conformity with accounting principles generally accepted in the United States 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 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 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 (the State) income tax examination for years prior to 2011.

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: Equity Investment in Genesee Agri-Business 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.

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.

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, 2015 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).

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 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'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.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED 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 the State of New York and its localities.

As a 501(c)(3) organization, the GGLDC cannot obtain collateral against its bank accounts. As of December 31, 2014, cash balances of \$984,049 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, 2014:

		<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.	\$ 15,257	\$ -
Yancey's Fancy, Inc. #2	Monthly payments for 5 years at 2% interest, maturing March 2015.	7,862	-
First Wave Technologies	Interest only through January 2015, thereafter monthly payments for 3.5 years at 5.25% interest, maturing July 2018.	40,224	371,780
Alpina Foods, Inc.	Monthly payments for 5 years at 0% interest, maturing July 2018.	42,900	120,900
Yancey's Fancy, Inc. #3	Monthly payments for 7 years at 3% interest, maturing February 2020.	20,655	93,047
Yancey's Fancy, Inc. #4	Monthly payments for 7 years at 3% interest, maturing January 2021.	26,794	149,339
13 Jackson Square, LLC	Payments of interest only for 12 months, thereafter monthly payments for 9 years at 3% interest, maturing July 2024.	<u>4,059</u>	<u>95,941</u>
Total loans receivable		<u>\$ 157,751</u>	<u>\$ 831,007</u>

The GGLDC estimated an allowance for bad debts in the Operating Fund of \$49,438, which is considered by management to be sufficient for any losses.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 as follows. The note receivable has an interest rate of 2.7%.

2015	\$107,991
2016	110,943
2017	113,975
2018	<u>117,091</u>
Total	<u>\$450,000</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the GGLDC for the year ended December 31, 2014 was as follows:

	Balance <u>01/1/14</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/14</u>
Capital assets being depreciated				
Building and improvements	\$ 6,857,320	\$ 265,806	\$ -	\$ 7,123,126
Furniture and equipment	<u>21,387</u>	<u>-</u>	<u>-</u>	<u>21,387</u>
Total capital assets being depreciated	<u>6,878,707</u>	<u>265,806</u>	<u>-</u>	<u>7,144,513</u>
Less accumulated depreciation:				
Building and improvements	604,892	181,541	-	786,433
Furniture and equipment	<u>5,856</u>	<u>3,987</u>	<u>-</u>	<u>9,843</u>
Total accumulated depreciation	<u>610,748</u>	<u>185,528</u>	<u>-</u>	<u>796,276</u>
Total capital assets being depreciated, net	<u>\$ 6,267,959</u>	<u>\$ 80,278</u>	<u>\$ -</u>	<u>\$ 6,348,237</u>

NOTE 6. LAND HELD FOR DEVELOPMENT AND SALE

Land held for development and sale activity for the year ended December 31, 2014 was as follows:

	Balance <u>01/01/14</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/14</u>
Land held for development and sale:				
GGLDC	\$ 3,877,277	\$ 341,791	\$ (481,394)	\$ 3,737,674
GAB, LLC	<u>3,373,266</u>	<u>-</u>	<u>(251,755)</u>	<u>3,121,511</u>
Total land held for development and sale	<u>\$ 7,250,543</u>	<u>\$ 341,791</u>	<u>\$ (733,149)</u>	<u>\$ 6,859,185</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2014, rent received in advance totaled \$35,608.

Interest received in advance related to loans receivable totaled \$32 at December, 31, 2014.

NOTE 8. 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, 2014, there was a balance of \$188,344 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, 2014, there was a balance of \$2,759,169.

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, 2014, there was a balance of \$100,000 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, 2014 there was a balance of \$413,231 outstanding on this loan.

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

	<u>GGLDC</u>		<u>GAB,LLC</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 62,873	\$ 109,207	\$ 333,470	\$ 16,529	\$ 396,343	\$ 125,736
2016	65,418	106,662	179,761	5,205	245,179	111,867
2017	68,083	103,999			68,083	103,999
2018	70,857	101,223			70,857	101,223
2019	73,744	98,336			73,744	98,336
2020-2024	416,311	447,089			416,311	447,089
2025-2029	508,315	352,085			508,315	352,085
2030-2034	620,650	239,750			620,650	239,750
2035-2039	757,812	102,588			757,812	102,588
2040	<u>115,106</u>	<u>1,766</u>			<u>115,106</u>	<u>1,766</u>
Total	<u>\$ 2,759,169</u>	<u>\$ 1,662,705</u>	<u>\$ 513,231</u>	<u>\$ 21,734</u>	<u>\$ 3,272,400</u>	<u>\$ 1,684,439</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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	\$ 882,117
MedTech Centre – Taxable	09/10	\$1,078,095	6.64%	09/35	\$ 991,730
MedTech Centre – Tax Exempt	09/10	\$2,821,905	4.44%	09/35	\$ 2,517,838

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 239,743	\$ 197,782
2016	271,428	212,304
2017	286,090	197,642
2018	301,029	182,703
2019	314,298	166,972
2020-2024	706,649	683,111
2025-2029	912,454	477,306
2030-3034	1,237,361	198,914
2035-2039	<u>122,633</u>	<u>2,060</u>
Totals	\$ <u>4,391,685</u>	\$ <u>2,318,794</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. The annual rent is \$17,294 to be paid in equal monthly installments. At December 31, 2014, the GGLDC held a \$2,832 security deposit from the GCEDC as required by the lease agreement.

At December 31, 2014, a loan payable to the GCEDC had a balance of \$121,913 and \$1,727 of accrued interest.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. RELATED PARTY TRANSACTIONS (Continued)

In August 2014, the GGLDC approved a loan of up to \$230,000 to the GCEDC to be used for WNY STAMP land acquisition in the Town of Alabama. The term of the loan is one year at a 3.06% interest rate. At December 31, 2014, the balance of the loan was \$212,814.

In November 2014, the GGLDC approved a loan of up to \$200,000 to the GCEDC to be used for engineering and studies related to WNY STAMP. The term of the loan is two years at a 3.06% interest rate. At December 31, 2014, the balance of the loan was \$125,000.

At December 31, 2014 loans receivable from the GCEDC had a balance of \$337,814.

The GGLDC is a guarantor on two loans totaling \$2,100,000 to the GCEDC from Empire State Development received in 2014. 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.

The GGLDC granted \$400,000 to the GCEDC in 2014 to support the continuing economic development program.

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 2014. Payments of \$93,000 will be received annually from 2015 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, 2014 is as follows:

Balance at the beginning of year	\$ 2,670,240
Net contributions	<u>250,000</u>
Total equity investment at end of year	<u>\$ 2,920,240</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, 2014, 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, 2015.

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 a light blue rectangular background.

Oneonta, New York
March 30, 2015

SECTION C
SUPPLEMENTARY INFORMATION

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 CONSOLIDATING STATEMENT OF NET POSITION
 December 31, 2014

	Genesee Gateway Local Development Corporation	Genesee Agri- Business LLC	Eliminations	Total
ASSETS:				
Current assets:				
Cash & cash equivalents	\$ 1,490,514	\$ 60,961	\$ -	\$ 1,551,475
Deposits	559	-	-	559
Accounts receivable	4,098	-	-	4,098
Grants receivable	1,182,326	-	-	1,182,326
Deferred interest	-	4,607	-	4,607
Prepaid expenses	1,388	-	-	1,388
Loans & mortgages receivable - current portion	157,751	-	-	157,751
Notes receivable- current portion	-	107,991	-	107,991
Loans receivable- related party	212,814	-	-	212,814
Total current assets	<u>3,049,450</u>	<u>173,559</u>	<u>-</u>	<u>3,223,009</u>
Noncurrent assets:				
Loans receivable- related party	125,000	-	-	125,000
Notes receivable- noncurrent portion	-	342,009	-	342,009
Loans & mortgages receivable- noncurrent portion (net of \$49,438 allowance for bad debts)	781,569	-	-	781,569
Land held for development & sale	3,737,674	3,121,511	-	6,859,185
Capital assets, net	6,348,237	-	-	6,348,237
Equity investment in joint venture	2,920,240	-	(2,920,240)	-
Total noncurrent assets	<u>13,912,720</u>	<u>3,463,520</u>	<u>(2,920,240)</u>	<u>14,456,000</u>
Total assets	<u>16,962,170</u>	<u>3,637,079</u>	<u>(2,920,240)</u>	<u>17,679,009</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	317,130	-	-	317,130
Line of credit	188,344	-	-	188,344
Accrued expenses	10,609	-	-	10,609
Security deposits payable	108,680	-	-	108,680
Unearned revenue	35,640	-	-	35,640
Bond payable - current portion	239,743	-	-	239,743
Loans payable - current portion	62,873	333,470	-	396,343
Total current liabilities	<u>963,019</u>	<u>333,470</u>	<u>-</u>	<u>1,296,489</u>
Noncurrent liabilities:				
Bond payable - noncurrent portion	4,151,942	-	-	4,151,942
Loans payable - noncurrent portion	2,696,296	179,761	-	2,876,057
Loan payable - related party	121,913	-	-	121,913
Total noncurrent liabilities	<u>6,970,151</u>	<u>179,761</u>	<u>-</u>	<u>7,149,912</u>
Total liabilities	<u>7,933,170</u>	<u>513,231</u>	<u>-</u>	<u>8,446,401</u>
NET POSITION:				
Net investment in capital assets	79,500	-	-	79,500
Restricted	338,642	-	-	338,642
Unrestricted	8,610,858	3,123,848	(2,920,240)	8,814,466
Total net position	<u>\$ 9,029,000</u>	<u>\$ 3,123,848</u>	<u>\$ (2,920,240)</u>	<u>\$ 9,232,608</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

**SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2014**

	Genesee Gateway Local Development Corporation	Genesee Agri- Business LLC	Eliminations	Total
OPERATING REVENUES:				
Fees	\$ 2,000	\$ 5,000	\$ -	\$ 7,000
Grant income	1,373,468	-	-	1,373,468
Interest income on loans	38,549	-	-	38,549
Land sale proceeds	500,000	500,000	-	1,000,000
Miscellaneous income	972	-	-	972
Rent	656,754	4,000	-	660,754
Total operating revenues	<u>2,571,743</u>	<u>509,000</u>	<u>-</u>	<u>3,080,743</u>
OPERATING EXPENSES:				
Bad debt expense	49,438	-	-	49,438
Cost of sales	509,894	259,694	-	769,588
Depreciation	185,528	-	-	185,528
Economic development partner fee	1,000	-	-	1,000
Fees & permits	500	136	-	636
Finance charge expense	16,363	-	-	16,363
Furniture & equipment	7,518	-	-	7,518
Grant expense	400,000	-	-	400,000
Insurance	26,910	-	-	26,910
Marketing program	8,520	-	-	8,520
Miscellaneous expense	1,241	-	-	1,241
Professional fees	308,541	5,273	-	313,814
Site development	597,125	-	-	597,125
Site maintenance	52,162	1,784	-	53,946
Special district fees	11,184	12,843	-	24,027
Supplies	1,145	-	-	1,145
Telephone	1,169	-	-	1,169
Utilities	27,646	7,957	-	35,603
Total operating expenses	<u>2,205,884</u>	<u>287,687</u>	<u>-</u>	<u>2,493,571</u>
Net operating income	<u>365,859</u>	<u>221,313</u>	<u>-</u>	<u>587,172</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	(351,639)	(17,739)	-	(369,378)
Other interest income	1,188	34	-	1,222
Total non-operating expenses	<u>(350,451)</u>	<u>(17,705)</u>	<u>-</u>	<u>(368,156)</u>
Change in net position	15,408	203,608	-	219,016
Contributed capital adjustment	-	250,000	(250,000)	-
Net position - beginning	<u>9,013,592</u>	<u>2,670,240</u>	<u>(2,670,240)</u>	<u>9,013,592</u>
Net position - ending	<u>\$ 9,029,000</u>	<u>\$ 3,123,848</u>	<u>\$ (2,920,240)</u>	<u>\$ 9,232,608</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF NET POSITION
December 31, 2014

	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	Batavia Metropolitan Area Redevelopment Loan Fund	Total
ASSETS:										
Current assets:										
Cash & cash equivalents	\$ 210,242	\$ -	\$ 218,672	\$ 251,292	\$ -	\$ 1,593	\$ 333,749	\$ 73,262	\$ 401,704	\$ 1,490,514
Deposits	-	-	-	-	-	-	559	-	-	559
Accounts receivable	10	-	-	1,172	-	2,807	109	-	-	4,098
Grants receivable	13,078	-	431,824	318,568	-	368,856	50,000	-	-	1,182,326
Prepaid expenses	1,388	-	-	-	-	-	-	-	-	1,388
Due to/from other funds	158,084	(105)	(68,603)	136,778	(1,153)	(226,153)	1,152	-	-	-
Loans & mortgages receivable - current portion	106,242	-	-	-	-	-	-	47,450	4,059	157,751
Loans receivable- related party	212,814	-	-	-	-	-	-	-	-	212,814
Total current assets	<u>701,858</u>	<u>(105)</u>	<u>581,893</u>	<u>707,810</u>	<u>(1,153)</u>	<u>147,103</u>	<u>385,569</u>	<u>120,712</u>	<u>405,763</u>	<u>3,049,450</u>
Noncurrent assets:										
Loans receivable- related party	125,000	-	-	-	-	-	-	-	-	125,000
Loans & mortgages receivable - noncurrent portion (net of \$49,438 allowance for bad debts)	443,242	-	-	-	-	-	-	242,386	95,941	781,569
Land held for development & sale	-	1,512,696	1,559,381	-	214,166	130,881	320,550	-	-	3,737,674
Furniture & equipment	-	-	-	-	-	-	21,387	-	-	21,387
Buildings & improvements	-	-	-	-	-	-	7,123,126	-	-	7,123,126
Less: accumulated depreciation	-	-	-	-	-	-	(796,276)	-	-	(796,276)
Equity investment in joint venture	-	-	-	2,920,240	-	-	-	-	-	2,920,240
Total noncurrent assets	<u>568,242</u>	<u>1,512,696</u>	<u>1,559,381</u>	<u>2,920,240</u>	<u>214,166</u>	<u>130,881</u>	<u>6,668,787</u>	<u>242,386</u>	<u>95,941</u>	<u>13,912,720</u>
Total assets	<u>1,270,100</u>	<u>1,512,591</u>	<u>2,141,274</u>	<u>3,628,050</u>	<u>213,013</u>	<u>277,984</u>	<u>7,054,356</u>	<u>363,098</u>	<u>501,704</u>	<u>16,962,170</u>
LIABILITIES:										
Current liabilities:										
Accounts payable	9,289	-	223,623	66,303	-	15,466	2,449	-	-	317,130
Line of credit	-	-	-	-	-	188,344	-	-	-	188,344
Accrued expenses	-	-	1,727	-	-	-	8,882	-	-	10,609
Security deposits payable	-	-	-	-	-	-	108,680	-	-	108,680
Unearned revenue	32	-	-	-	-	-	35,608	-	-	35,640
Bond payable - current portion	-	-	-	159,257	-	-	80,486	-	-	239,743
Loans payable - current portion	-	-	-	-	-	-	62,873	-	-	62,873
Total current liabilities	<u>9,321</u>	<u>-</u>	<u>225,350</u>	<u>225,560</u>	<u>-</u>	<u>203,810</u>	<u>298,978</u>	<u>-</u>	<u>-</u>	<u>963,019</u>
Noncurrent Liabilities										
Bond payable - noncurrent portion	-	-	-	722,860	-	-	3,429,082	-	-	4,151,942
Loans payable - noncurrent portion	-	-	-	-	-	-	2,696,296	-	-	2,696,296
Loan payable - related party	-	-	121,913	-	-	-	-	-	-	121,913
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>121,913</u>	<u>722,860</u>	<u>-</u>	<u>-</u>	<u>6,125,378</u>	<u>-</u>	<u>-</u>	<u>6,970,151</u>
Total Liabilities	<u>9,321</u>	<u>-</u>	<u>347,263</u>	<u>948,420</u>	<u>-</u>	<u>203,810</u>	<u>6,424,356</u>	<u>-</u>	<u>-</u>	<u>7,933,170</u>
NET POSITION:										
Net investment in capital assets	-	-	-	-	-	-	79,500	-	-	79,500
Restricted	-	-	148,072	-	-	-	190,570	-	-	338,642
Unrestricted	1,260,779	1,512,591	1,645,939	2,679,630	213,013	74,174	359,930	363,098	501,704	8,610,858
Total net position	<u>\$ 1,260,779</u>	<u>\$ 1,512,591</u>	<u>\$ 1,794,011</u>	<u>\$ 2,679,630</u>	<u>\$ 213,013</u>	<u>\$ 74,174</u>	<u>\$ 630,000</u>	<u>\$ 363,098</u>	<u>\$ 501,704</u>	<u>\$ 9,029,000</u>

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Year Ended December 31, 2014

	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	Batavia Micropolitan Area Loan Fund	Total
OPERATING REVENUES:										
Fees	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,000
Grant income	18,059	-	734,031	394,316	-	177,062	50,000	-	-	1,373,468
Interest income on loans	24,998	-	-	-	-	2,807	-	9,139	1,605	38,549
Land sale proceeds	-	-	500,000	-	-	-	-	-	-	500,000
Miscellaneous income	-	-	350	150	-	-	472	-	-	972
Rent	-	-	-	-	-	305	656,449	-	-	656,754
Total operating revenues	<u>45,057</u>	<u>-</u>	<u>1,234,381</u>	<u>394,466</u>	<u>-</u>	<u>180,174</u>	<u>706,921</u>	<u>9,139</u>	<u>1,605</u>	<u>2,571,743</u>
OPERATING EXPENSES:										
Bad debt expense	49,438	-	-	-	-	-	-	-	-	49,438
Cost of sales	-	-	509,894	-	-	-	-	-	-	509,894
Depreciation	-	-	-	-	-	-	185,528	-	-	185,528
Economic development partner fee	1,000	-	-	-	-	-	-	-	-	1,000
Fees & permits	-	-	-	100	400	-	-	-	-	500
Finance charge expense	-	-	-	-	-	16,363	-	-	-	16,363
Furniture & equipment	-	-	-	-	-	-	7,518	-	-	7,518
Grant expense	400,000	-	-	-	-	-	-	-	-	400,000
Insurance	8,253	827	733	2,389	-	707	14,001	-	-	26,910
Marketing program	-	-	-	-	-	8,520	-	-	-	8,520
Miscellaneous expense	-	-	767	258	-	-	216	-	-	1,241
Professional fees	78,762	-	-	4,973	600	148,876	75,330	-	-	308,541
Site development	-	-	408,589	188,536	-	-	-	-	-	597,125
Site maintenance	-	3,525	3,000	4,543	2,748	-	38,346	-	-	52,162
Special district fees	-	597	1,954	65	325	53	8,190	-	-	11,184
Supplies	-	-	-	-	-	-	1,145	-	-	1,145
Telephone	-	-	-	-	-	-	1,169	-	-	1,169
Utilities	-	-	-	-	-	-	27,646	-	-	27,646
Total operating expenses	<u>537,453</u>	<u>4,949</u>	<u>924,937</u>	<u>200,864</u>	<u>4,073</u>	<u>174,519</u>	<u>359,089</u>	<u>-</u>	<u>-</u>	<u>2,205,884</u>
Operating income (loss)	(492,396)	(4,949)	309,444	193,602	(4,073)	5,655	347,832	9,139	1,605	365,859
NON-OPERATING REVENUES (EXPENSES):										
Interfund revenue	1,376,578	4,844	5,687	9,440	3,457	706	-	-	500,000	1,900,712
Interfund expenditure	(643,959)	-	(566,237)	(239,891)	(449,086)	-	(1,539)	-	-	(1,900,712)
Interest expense	-	-	(2,819)	(54,718)	-	-	(294,102)	-	-	(351,639)
Other interest income	215	-	176	242	-	13	428	15	99	1,188
Total non-operating revenues (expenses)	<u>732,834</u>	<u>4,844</u>	<u>(563,193)</u>	<u>(284,927)</u>	<u>(445,629)</u>	<u>719</u>	<u>(295,213)</u>	<u>15</u>	<u>500,099</u>	<u>(350,451)</u>
Change in net position	240,438	(105)	(253,749)	(91,325)	(449,702)	6,374	52,619	9,154	501,704	15,408
Net position - beginning	1,020,341	1,512,696	2,047,760	2,770,955	662,715	67,800	577,381	353,944	-	9,013,592
Net position - ending	<u>\$ 1,260,779</u>	<u>\$ 1,512,591</u>	<u>\$ 1,794,011</u>	<u>\$ 2,679,630</u>	<u>\$ 213,013</u>	<u>\$ 74,174</u>	<u>\$ 630,000</u>	<u>\$ 363,098</u>	<u>501,704</u>	<u>9,029,000</u>