

FINANCIAL STATEMENTS

**GENESEE GATEWAY LOCAL DEVELOPMENT
CORPORATION**

**DECEMBER 31, 2010
with
INDEPENDENT AUDITOR'S REPORT**

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

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GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

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SECTION A
FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the Genesee Gateway Local Development Corporation (the "GGLDC"), as of December 31, 2010, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended. These basic financial statements are the responsibility of GGLDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above, present fairly, in all material respects, the financial position of the GGLDC, as of December 31, 2010, and the changes in its fund net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011, on our consideration of the GGLDC'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion information on Pages 3 – 13 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 method 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the GGLDC's 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional and other records used to prepare the 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 financial statements taken as a whole.

Gruva, Zureifel & Scott, LLP

Oneonta, New York
March 31, 2011



Genesee Gateway Local Development Center Management's Discussion and Analysis Year Ended December 31, 2010

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, 2010 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 Genesee Gateway Local Development Corporation GGLDC is a charitable non-profit organization with its mission being to assist local economic development efforts by making real estate development investments to bolster shovel-ready technology 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 implemented Government Accounting Standards Board (GASB) Statement No. 34 in 2005 and follows enterprise fund reporting. These statements are presented in a manner similar to a private business, such as a property management company. While detailed sub-fund information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that the GGLDC is meeting its contractual obligations.

Affiliated Entities

The Genesee County Economic Development Center ("GCEDC"), formerly known as the Genesee County Industrial Development Agency, 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 through 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.

In 2008 the Genesee Agri-Business, LLC ("GABLLC"), a 501-C(3) non-profit organization, was established through a joint venture between the GGLDC and Rural Investments, LLC (an affiliate of Farm Credit of WNY) as a means to capitalize the phase I acquisition, development and infrastructure deployment of approximately 200 acres located in the Town of Batavia, known as the Genesee Valley Agri-Business Park. The GGLDC is the managing member of the GABLLC with a 51% membership equity (membership) interest.

Financial Analysis of the Corporation

| | 2010 | 2009 | Higher / (Lower) Prior Year | % Increase (Decrease) |
|--|-----------------|-----------------|-----------------------------|-----------------------|
| Increase in Cash & Cash Equivalents | \$ 946,540.00 | \$ 381,278.00 | \$ 565,262.00 | 148% |
| Decrease in Total Current Assets | \$ 1,997,905.00 | \$ 2,072,334.00 | \$ (74,429.00) | -4% |
| Increase in Land Held for Dev. & Sale | \$ 5,369,745.00 | \$ 5,331,769.00 | \$ 37,976.00 | 1% |
| Increase in Capital Assets, Net | \$ 6,662,971.00 | \$ 3,853,568.00 | \$ 2,809,403.00 | 73% |
| Decrease in Total Current Liabilities | \$ 1,166,531.00 | \$ 4,233,528.00 | \$ (3,066,997.00) | -72% |
| Increase in Total Noncurrent Liabilities | \$ 8,039,545.00 | \$ 1,634,998.00 | \$ 6,404,547.00 | 392% |
| Increase in Total Net Assets | \$ 8,402,884.00 | \$ 7,928,165.00 | \$ 474,719.00 | 6% |
| Net Revenues from Fees | \$ - | \$ 6,775.00 | \$ (6,775.00) | -100% |
| Revenues from Property Rentals | \$ 338,611.00 | \$ 2,538.00 | \$ 336,073.00 | 13242% |
| Revenues from Grants | \$ 1,427,136.00 | \$ 405,031.00 | \$ 1,022,105.00 | 252% |
| Operating Revenues | \$ 1,778,245.00 | \$ 433,225.00 | \$ 1,345,020.00 | 310% |
| Operating Expenses | \$ 1,189,062.00 | \$ 187,461.00 | \$ 1,001,601.00 | 534% |
| Net Operating Revenue | \$ 589,183.00 | \$ 245,764.00 | \$ 343,419.00 | 140% |

The increase in cash and cash equivalents of \$565,262 (148%) is primarily attributable to:

- Security deposits received from Med Tech Centre tenants of \$108,680.
- Excess funds held in the Med Tech Centre fund for future build out of commercialization space.

Total current assets decreased by 4%:

- Though cash and cash equivalents increased substantially, along with grants receivable, cash held with fiscal agent decreased by \$986,861. This money was used to fund improvements at the Genesee Valley Agri-Business Park.

Total capital assets (net) increased by \$2,809,403:

- Construction of the Med Tech Centre building was completed in 2010.

Current liabilities decreased by \$3,066,997 (72%) and is primarily attributable to:

- In 2009, loans payable of \$3,313,249 was recorded, resulting from a \$7,200,000 construction loan secured to finance the construction of the Med Tech Centre building. Construction was completed in 2010 and this entire construction loan was converted into permanent financing, with the majority posted in noncurrent liabilities in 2010.

Noncurrent liabilities of \$8,039,545 represents:

- Noncurrent portion of \$1,462,000 bond payable that is funding Genesee Valley Agri-Business Park infrastructure improvements.
- Noncurrent portion of \$6,900,000 liability related to construction of the Med Tech Centre building.

Unrestricted net assets increased by 4% primarily due to grant funds received in 2010, among other activity throughout the year.

The following table summarizes GGLDC's results of operations for the fiscal years ended December 31, 2010 and 2009 and changes between the years:

| | 2010 | | 2009 (Decrease) | | % Increase |
|---|------|-----------|-----------------|---------|------------|
| OPERATING REVENUES | | | | | |
| Fees and other income | \$ | - | \$ | 6,775 | -100% |
| Interest Income on Loans | \$ | 12,498 | \$ | 12,184 | 3% |
| Grant Income | \$ | 1,427,136 | \$ | 405,031 | 252% |
| Rent | \$ | 338,611 | \$ | 2,538 | 13242% |
| Miscellaneous Income | \$ | - | \$ | 6,697 | -100% |
| Total Operating Revenues | \$ | 1,778,245 | \$ | 433,225 | 310% |
| OPERATING EXPENSES | | | | | |
| General & Administrative | \$ | 10,862 | \$ | 15,837 | -31% |
| Property Related Expenses | \$ | 150,891 | \$ | 20,638 | 631% |
| Utilities | \$ | 16,192 | \$ | - | NA |
| Advertising/Promotion & Marketing Program | \$ | - | \$ | 8,405 | -100% |
| Professional Fees | \$ | 1,011,117 | \$ | 142,581 | 609% |
| Total Operating Expenses | \$ | 1,189,062 | \$ | 187,461 | 534% |
| Net Operating Revenue | \$ | 589,183 | \$ | 245,764 | 140% |
| NONOPERATING REVENUES/EXPENSES | | | | | |
| Net Income from Joint Venture | \$ | 7,429 | \$ | 6,663 | 11% |
| Other Interest Income | \$ | 2,086 | \$ | 954 | 119% |
| Interest Expense | \$ | (93,979) | \$ | - | NA |
| Total Nonoperating Revenue (Expense) | \$ | (84,464) | \$ | 7,617 | -1209% |
| Change in Net Assets | \$ | 504,719 | \$ | 253,381 | 99% |

The \$1,345,020 increase in operating revenues is mostly attributable to:

- Over \$900k of grant revenue recorded from Empire State Development in 2010 to support the WNY STAMP project.
- Construction of the Med Tech Centre building was completed in 2010, tenants took occupancy in June and rent income of over \$300k was collected.

Operating Expenses increased by \$1,001,601 and is mostly attributable to:

- Professional services of over \$900k related to the WNY STAMP project.

Nonoperating Revenue/Expense:

- Net nonoperating expense is due to interest expense on bond payable paid in 2010.

Grant Revenue

Grant revenue in support of corporate park and other development initiatives totaled \$1,427,136 in 2010. The various funding sources for grant revenue received during the year are described below:

- \$ 19,353 National Fuel Grant supports installation gas meters/service at Upstate MedTech Centre
- \$175,000 National Grid Grant supports costs related to the Phase II development of WNY STAMP (Science & Technology Manufacturing Park)
- \$752,716 Empire State Development Grant supports Phase II development of WNY STAMP (Science & Technology Manufacturing Park) Total Grant \$1 Million
- \$ 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 Genesee County Economic Development Center, to support development of Genesee Valley Agri-Business Park
- \$150,000 Office of Community Renewal supports a loan to Yancey's Fancy for expansion of operations
- \$ 18,787 Office of Community Renewal reimburses revolving loan fund program delivery costs
- \$ 12,500 Town of Batavia supports contract with Conservation Connects to form non-profit entity

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 32 acre site that is ideal for distribution, warehouse and heavy equipment industries that need quick access to the state thruway. The shovel ready park is home to Ashley Furniture's distribution center. All utilities, municipal sewer, water, gas and electric are installed in the park. Marketing and promotion efforts were continued in 2010 resulting in many site visits from potential customers. In 2011 we will continue to market Gateway II and build relationships with potential customers.

Buffalo East – South & Buffalo East – North- Buffalo East Tech Park (BETP)

Buffalo East Tech Park (BETP) is an approximately 300 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 has been named one of the top sites in NYS for high technology companies and has received 21 site visits from 10 different companies over the last two years. In 2010 an alternative site was selected and secured to support the BETP North Campus project development near the Pembroke interchange. GGLDC was awarded a \$750,000 Innovative Work Force Development Grant from the New York State Office of Community Renewal in September 2010. \$250,000 will be used to create a pilot workforce training program and the remainder will be used to continue to develop BETP's North Campus. GGLDC was also awarded two grants from National Grid's Upstate New York Economic Development Division totaling \$275,000 and a \$750,000 grant from the Town of Pembroke to be used for further development. To date the GGLDC has secured \$3.1 million to support the park and is awaiting a decision on a federal United States Economic Development Agency (EDA) grant totaling \$3.1 million to fully capitalize the project. Recently, state grants totaling \$2.5 million in the Town of Pembroke and \$1.2 million in the Village of Corfu were awarded providing critical funding to ensure municipal sewer to the park. We will continue to work with our local municipal partners in 2011.

Ag Park The Genesee Valley Agri-Business Park is a one of a kind, 200 acre agriculture park focused on agri-business and food processing industries. On site there is access to low cost process water via the local aquifer (6+ Million Gallons/ Day), a pretreatment facility (Ecolab) and robust utility infrastructure throughout including rail access. The park is owned and operated by a public/private partnership between the GGLDC and Farm Credit of WNY. In 2010 municipal water lines were brought into the park as well as gas and electric and the main roadway was constructed. The GGLDC was also awarded a \$3.9 million dollar state grant to bring rail into the park. In 2011 the GGLDC plans to finish connecting with city sewer lines and work with National Grid to install electric lines. During the end of 2010 into the beginning of 2011 the Genesee Valley Agri-Business Park has seen tremendous interest and sales flow.

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.

WNY STAMP WNY STAMP (Science and Technology Advanced Manufacturing Park) is a large scale advanced manufacturing park located 5 miles north of I-90 exit 48A and is modeled after Luther Forest near Saratoga which is now home to AMD. At full build out the site would employ approximately 9,300 people and would be home to an advanced manufacturing company making technologies like photovoltaic cells (solar cells), computer chips or flat panel displays. In 2010, the GGLDC continued to utilize \$1 million dollars from the New York State Senate to conduct a full environmental assessment of the property. The Final Generic Environmental Impact Statement (FGEIS) is expected to be completed in the summer of 2011 and it will set the parameters for future development at the site. Also in 2011 a comprehensive sales and marketing plan will developed and implemented. The STAMP sales and marketing plan will be the foundation of future activity at the park.

Med Tech Centre The construction of the 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 County. GCEDC and GGLDC have moved their offices to the MedTech Center from Mill St. and are also located on the first floor. The 43,000 sq. ft. building houses 6,000 sq. ft. of commercialization space to support emerging Life Sciences Companies. A new medical device company, First Wave Technologies, is currently utilizing a portion of the accelerator space within MedTech Center and moved in on November 1, 2010.

Capital Assets

The following table summarizes the changes in GGLDC capital assets between fiscal years 2010 and 2009.

Changes in Capital Assets between Fiscal Years 2010 and 2009

| | 2010 | | Increase 2009 (Decrease) | |
|----------------------------------|--------------|--------------|-----------------------------|--|
| Land Options | \$ 39,997 | \$ 24,791 | \$ 15,206 | |
| Furniture & Equipment | \$ 7,739 | \$ - | \$ 7,739 | |
| Building and Improvements | \$ 6,727,614 | \$ 3,828,777 | \$ 2,898,837 | |
| Less accumulated Depreciation | \$ 112,379 | \$ - | \$ 112,379 | |
| Net Capital Assets | \$ 6,662,971 | \$ 3,853,568 | \$ 2,809,403 | |
| Land Held for Development & Sale | \$ 5,369,745 | \$ 5,331,769 | \$ 37,976 | |

The increase in Net Capital Assets of \$2,809,403 is attributed to construction of the Med Tech Centre building, which was completed in 2010.

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 Chief Financial Officer of the Genesee Gateway Local Development Center, 99 MedTech Drive, Batavia, New York, 14020.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS

December 31, 2010

ASSETS

Current assets:

| | | |
|---|----|------------------|
| Cash | \$ | 946,540 |
| Cash held with fiscal agent | | 303,310 |
| Deposits | | 2,660 |
| Accounts receivable | | 33,350 |
| Grant receivable | | 536,058 |
| Prepaid expenses | | 2,357 |
| Loans & mortgages receivable- current portion | | 173,630 |
| Total current assets | | <u>1,997,905</u> |

Noncurrent assets:

| | | |
|---|--|-------------------|
| Loans & mortgages receivable- noncurrent portion | | 573,328 |
| Land held for development & sale | | 5,369,745 |
| Capital assets, net | | 6,662,970 |
| Equity investment in joint venture | | 3,005,011 |
| Total noncurrent assets | | <u>15,611,054</u> |
| Total assets | | <u>17,608,959</u> |

LIABILITIES AND NET ASSETS

Current liabilities:

| | | |
|-------------------------------------|--|------------------|
| Accounts payable | | 222,547 |
| Security deposits payable | | 108,680 |
| Customer deposits | | 2,000 |
| Deferred revenues - current portion | | 35,541 |
| Line of credit | | 229,867 |
| Bond payable - current portion | | 145,953 |
| Loans payable - current portion | | 421,943 |
| Total current liabilities | | <u>1,166,531</u> |

Noncurrent liabilities:

| | | |
|------------------------------------|--|------------------|
| Bond payable - noncurrent portion | | 1,316,047 |
| Loans payable - noncurrent portion | | 6,723,498 |
| Total noncurrent liabilities | | <u>8,039,545</u> |
| Total liabilities | | <u>9,206,076</u> |

Net assets:

| | | |
|------------------|----|------------------|
| Unrestricted | | <u>8,402,883</u> |
| Total net assets | \$ | <u>8,402,883</u> |

See accompanying notes.

A1

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
Year Ended December 31, 2010

| | |
|--|---------------------|
| OPERATING REVENUES: | |
| Grant income | \$ 1,427,136 |
| Interest income on loans | 12,498 |
| Rent | 338,611 |
| Total operating revenues | <u>1,778,245</u> |
| OPERATING EXPENSES: | |
| Depreciation | 112,380 |
| Fees | 162 |
| Finance charge expense | 10,077 |
| Insurance | 10,003 |
| Miscellaneous expense | 12 |
| Professional fees | 1,011,117 |
| Site maintenance | 22,613 |
| Special district fees | 2,385 |
| Supplies | 3,499 |
| Telephone | 504 |
| Travel | 119 |
| Utilities | 16,192 |
| Total operating expenses | <u>1,189,063</u> |
| Net operating revenue | 589,182 |
| NONOPERATING REVENUES (EXPENSES): | |
| Net income from joint venture | 7,429 |
| Interest expense | (93,979) |
| Other interest income | 2,086 |
| Total non-operating revenues (expenses) | <u>(84,464)</u> |
| Change in net assets | 504,718 |
| Net assets - beginning of period | 7,928,165 |
| Prior period adjustment | <u>(30,000)</u> |
| Net assets - end of period | <u>\$ 8,402,883</u> |

See accompanying notes.

A2

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

COMBINED STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|--------------|
| Grant income | \$ 1,106,272 |
| Interest income on loans | 12,498 |
| Issuance of loans & mortgages receivable | (150,000) |
| Rental income | 374,152 |
| Repayments of loans & mortgages receivable | 167,965 |
| Fees & permits | (162) |
| Finance charges | (10,077) |
| Improvements of land held for development & resale | (96,718) |
| Insurance | (11,418) |
| Miscellaneous expense | 1,988 |
| Professional fees | (1,041,117) |
| Security deposits collected | 108,680 |
| Site maintenance | (22,613) |
| Special district fees | (2,385) |
| Supplies | (3,499) |
| Telephone | (504) |
| Travel | (119) |
| Utilities | (18,852) |
| Net cash provided by operating activities | 414,091 |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|--|--------|
| Line of credit | 68,442 |
| Net cash provided by noncapital financing activities | 68,442 |

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:

| | |
|---|-------------|
| Net principal payments on bonds | (27,000) |
| Issuance of loans | 3,545,059 |
| Interest paid on bonds | (93,979) |
| Purchase of capital assets | (3,249,716) |
| Net cash provided by capital & related financing activities | 174,364 |

CASH USED BY INVESTING ACTIVITIES:

| | |
|--|-------------|
| Interest income | 2,086 |
| Equity investment - Genesee Agri-Business, LLC | (1,080,582) |
| Change in cash held by fiscal agents | 986,861 |
| Net cash used by investing activities | (91,635) |

Net increase in cash and cash equivalents 565,262

Cash and cash equivalents - beginning of year 381,278

Cash and cash equivalents - end of year \$ 946,540

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

COMBINED STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

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

| | | |
|--|----|------------------|
| Net operating revenue | \$ | 589,182 |
| Adjustments to reconcile net operating revenue to net cash provided by operating activities: | | |
| Depreciation expense | | 112,380 |
| Net improvements of land held for development and resale | | (96,718) |
| Increase in deposits | | (2,660) |
| Decrease in accounts receivable | | 42,690 |
| Increase in grant receivable | | (355,058) |
| Increase in prepaid expenses | | (1,415) |
| Decrease in loans and mortgages receivable | | 17,965 |
| Decrease in operating accounts payable | | (30,000) |
| Increase in security deposits | | 108,680 |
| Increase in customer deposits | | 2,000 |
| Increase in deferred revenues | | 27,045 |
| Total adjustments | | <u>(175,091)</u> |
| Net cash provided by operating activities | \$ | <u>414,091</u> |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - The Genesee Gateway Local Development Corporation (the GGLDC) was created in 2004 with a focus on economic development opportunities related to real estate and corporate park development. The corporation is a public instrumentality formed exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The 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. No other organizations have been included in the reporting entity.

The financial reporting entity consists of (a) the primary entity which is the Genesee Gateway Local Development Corporation, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary entity is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14 as amended by GASB No. 39. The decision to include a potential unit in the GGLDC's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB No. 39, including legal standing, fiscal dependency, and financial accountability.

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

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

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

Deferred Revenue - The GGLDC reports deferred revenue on its balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred 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 deferred revenue is removed and revenue is recognized.

Statement Of Cash Flows - For the purposes of the statement of cash flows the GGLDC considers cash 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.

Component Unit - Management has evaluated the provisions of Government Accounting Standards Board Statement No. 61 - *The Financial Reporting Entity* and has determined they are not a component unit of the Genesee County Industrial Development Agency D/B/A Genesee County Economic Development Center (the GCEDC).

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS

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

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

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

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

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

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

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the GGLDC's investment and deposit policy, all deposits of the GGLDC including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The GGLDC restricts the securities to the following eligible items:

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

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (Continued)

As a 501(c)(3) organization Genesee Gateway Local Development Corporation (GGLDC) cannot obtain collateral against its bank accounts. Cash balances as of December 31, 2010 were insured by the FDIC.

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, 2010:

| | | <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 | \$ 38,961 | \$ 151,672 |
| Wellsville Carpet Town, Inc. | Monthly payments for 7 years at 0% interest, maturing January 2014 | 81,429 | 169,642 |
| Yancey's Fancy, Inc. #1 | Monthly payments for 7 years at 3% interest, maturing April 2014 | 23,992 | 152,818 |
| Yancey's Fancy, Inc. #2 | Monthly payments for 5 years at 2% interest, maturing March 2015 | <u>29,248</u> | <u>99,196</u> |
| Total loans receivable | | \$ <u>173,630</u> | \$ <u>573,328</u> |

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the GGLDC for the year ended December 31, 2010 was as follows:

| | <u>Balance</u> <u>01/1/10</u> | <u>Reclass</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/10</u> |
|--|----------------------------------|------------------|---------------------|---------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land options | \$ 24,791 | \$ - | \$ 15,206 | \$ - | \$ 39,997 |
| Buildings and improvements - CIP | <u>3,828,777</u> | <u>58,742</u> | <u>2,840,095</u> | <u>6,727,614</u> | <u>-</u> |
| Total capital assets not being depreciated | \$ <u>3,853,568</u> | \$ <u>58,742</u> | \$ <u>2,855,301</u> | \$ <u>6,727,614</u> | \$ <u>39,997</u> |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Continued)

| | <u>Balance</u> <u>01/1/10</u> | <u>Reclass</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/10</u> |
|---|----------------------------------|----------------|------------------|------------------|-----------------------------------|
| Capital assets being depreciated: | | | | | |
| Building and improvements | \$ - | \$ - | \$ 6,727,614 | \$ - | \$ 6,727,614 |
| Furniture and equipment | - | - | 7,739 | - | 7,739 |
| Total capital assets being depreciated | - | - | 6,735,353 | - | 6,735,353 |
| Less accumulated depreciation: | | | | | |
| Building and improvements | - | - | 112,127 | - | 112,127 |
| Furniture and equipment | - | - | 253 | - | 253 |
| Total accumulated depreciation | - | - | 112,380 | - | 112,380 |
| Total capital assets being depreciated net, | - | - | 6,622,973 | - | 6,622,973 |
| Total capital assets, net | \$ 3,853,568 | \$ 58,742 | \$ 9,478,274 | \$ 6,727,614 | \$ 6,662,970 |

NOTE 5 - LAND HELD FOR DEVELOPMENT OR SALE

Land held for development or sale activity for the year ended December 31, 2010 was as follows:

| | <u>Balance</u> <u>01/01/10</u> | <u>Reclass</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/10</u> |
|------------------------------------|-----------------------------------|----------------|------------------|------------------|-----------------------------------|
| Land held for development or sale: | | | | | |
| GGLDC | \$ 5,331,769 | \$ (58,742) | \$ 96,718 | \$ - | \$ 5,369,745 |

NOTE 6 - DEFERRED REVENUE

The GGLDC leases space in the Med Tech Centre building to the GCEDC, Genesee Community College and United Memorial Medical Center. At December 31, 2010, rent received in advance totaled \$35,541.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LINE OF CREDIT

In August 2006, the GGLDC obtained a revolving line of credit from the Bank of Castile for \$350,000. The GCEDC serves as the guarantor on the line. Collateral consists of a first security interest in all instruments, chattel paper, contract rights, intellectual property and accounts receivable held by the GCEDC ("guarantor") and the GGLDC ("borrower"). The agreement is subject to an annual review and renewal. At December 31, 2010, there was a balance of \$229,867 drawn against this line of credit. This loan has been subsequently refinanced and paid off. See Note 16.

NOTE 8 - BUILD NOW NEW YORK LOAN

In June 2006 the GGLDC received a \$100,000 Build Now New York loan from Empire State Development Corporation to be used toward predevelopment activities at Gateway II Corporate Park. This loan bears a 0% interest rate and is payable in 2011.

NOTE 9 - MED TECH CENTRE LOANS

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

| | |
|--|---------------------|
| Bond payable to Five Star Bank, due in monthly installments of \$7,446, 6.64% per annum, maturing August 2035, or until paid in full with the original amount of \$1,078,095. | \$ 1,071,728 |
| Bond payable to Five Star Bank, due in monthly installments of \$15,717, 4.44% per annum, maturing August 2035, or until paid in full with the original amount of \$2,821,905. | 2,799,643 |
| Loan payable to U.S. Dept. of Agriculture, due in monthly installments of \$14,340, 4%, per annum, maturing September 2040, or until paid in full with the original amount of \$3,000,000. | <u>2,986,937</u> |
| Total long term debt | <u>\$ 6,858,308</u> |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - MED TECH CENTER LOANS (Continued)

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

| | |
|--------------------------|-------------------------|
| 2011 | \$ 134,810 |
| 2012 | 140,588 |
| 2013 | 147,748 |
| 2014 | 154,709 |
| 2015 | 162,009 |
| Thereafter | <u>6,118,444</u> |
| Total long term debt | \$ <u>6,858,308</u> |

NOTE 10 - BOND

In June 2009 the GGLDC closed on a \$1,489,000 bond to support improvement to the Genesee Valley Agri-Business Park. The funds are held, maintained and administered by Rural Investments, LLC, which has a 49% membership interest in the GAB, LLC, and the balance available is recorded by the GGLDC as cash held with fiscal agent. 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.

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 | \$ <u>1,462,000</u> |
| | <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | | |
| | 2011 | \$ 145,953 | \$ 59,835 | | |
| | 2012 | 136,564 | 69,224 | | |
| | 2013 | 143,747 | 62,041 | | |
| | 2014 | 151,308 | 54,480 | | |
| | 2015 | 159,267 | 46,521 | | |
| | 2016-2019 | <u>725,161</u> | <u>97,786</u> | | |
| | Totals | \$ <u>1,462,000</u> | \$ <u>389,887</u> | | |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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).

Genesee Agri-Business, LLC was formed in December 2007 to engage in business that furthers the Development of the Genesee Valley Agri-Business Park. The GGLDC has a 51% member interest in the GAB, LLC and is the managing member.

The GCEDC leases office space from the GGLDC. A lease agreement was entered into in July 2009 to occupy 3,100 square feet of office space at the Med Tech Centre building. The term of the lease is for 15 years commencing in June 2010, upon substantial completion of the building. The annual rent is \$16,992 to be paid in equal monthly installments. At December 31, 2010, the GGLDC held a \$2,832 security deposit from the GCEDC as required by the lease agreement.

At December 31, 2010, a loan payable to the GCEDC had a balance of \$187,133.

NOTE 12 - LAND OPTIONS - GGLDC

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

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

The 2010 costs of the real property taxes associated with the 2008 and 2009 option contracts was \$15,206.

NOTE 13 - 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 2010. Payments of \$93,000 will be received annually from 2011 through 2027.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - EQUITY INVESTMENT

The GGLDC has a 51% membership interest in the GAB, LLC. The GGLDC's equity investment in the GAB, LLC as of December 31, 2010 is as follows:

| | |
|--|---------------------|
| Balance at the beginning of year | \$ 1,917,000 |
| Earnings from GAB, LLC | 7,429 |
| Net contributions | <u>1,080,582</u> |
| Total equity investment at end of year | \$ <u>3,005,011</u> |

NOTE 15 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in 2010 for \$30,000 to properly record professional service expense against corresponding grant revenue.

NOTE 16 - SUBSEQUENT EVENTS

In February 2011, the GGLDC obtained a revolving line of credit from Five Star Bank for \$700,000 and closed the existing line of credit with the Bank of Castile. The new line carries an interest rate equal to prime rate, with a floor of 4.00%.

NOTE 17 - FUTURE GASB PRONOUNCEMENTS

A. THE FINANCIAL REPORTING ENTITY OMNIBUS

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement is designed to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity by modifying certain requirements in GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Component units are legally separate organizations that state and local governments include in their financial reports. Statement No. 61 modifies the existing criteria for inclusion of organizations that are "fiscally dependent" on a government. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 17 - FUTURE GASB PRONOUNCEMENTS (Continued)

Statement No. 61 also amends the criteria for reporting component units as if they were part of the primary government (*i.e.*, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012, with earlier application encouraged.

SECTION B
INTERNAL CONTROL AND COMPLIANCE

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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 of
Genesee Gateway Local Development Corporation
Batavia, New York

We have audited the financial statements Genesee Gateway Local Development Corporation (the "GGLDC") as of and for the year ended December 31, 2010, and have issued our report thereon dated March 31, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the GGLDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GGLDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the GGLDC's internal control over financial reporting.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the Board of Directors, management, others within the Genesee Gateway Local Development Corporation, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gruba, Jurcicel & Scott, LLP

Oneonta, New York
March 31, 2011

SECTION C
SUPPLEMENTARY INFORMATION

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

COMBINING STATEMENT OF NET ASSETS

December 31, 2010

| | Operating Fund | Gateway II Fund | Buffalo East South Fund | Ag Park Fund | Med Tech Park Fund | STAMP Fund | Buffalo East North Fund | Med Tech Centre Fund | Total |
|---|----------------|-----------------|-------------------------|--------------|--------------------|------------|-------------------------|----------------------|--------------|
| WNY | | | | | | | | | |
| ASSETS | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash | \$ 44,968 | \$ 15,472 | \$ 63,413 | \$ 81,725 | \$ 23 | \$ 184 | \$ 226,818 | \$ 513,937 | \$ 946,540 |
| Cash held with fiscal agent | 0 | 0 | 0 | 303,310 | 0 | 0 | 0 | 0 | 303,310 |
| Deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,660 | 2,660 |
| Accounts receivable | 15,194 | 0 | 40 | 0 | 3,218 | 14,403 | 375 | 120 | 33,350 |
| Grant receivable | 0 | 0 | 486 | 0 | 153 | 535,419 | 0 | 0 | 536,058 |
| Prepaid expenses | 575 | 72 | 102 | 0 | 51 | 84 | 0 | 1,473 | 2,357 |
| Due to/from other funds | 63,745 | 0 | 15,532 | (15,532) | (1,273) | (54,481) | 28,000 | (35,991) | 0 |
| Loans & mortgages receivable-current portion | 81,429 | 0 | 53,240 | 38,961 | 0 | 0 | 0 | 0 | 173,630 |
| Total current assets | 205,911 | 15,544 | 132,813 | 408,464 | 2,172 | 495,609 | 255,193 | 482,199 | 1,997,905 |
| Noncurrent assets: | | | | | | | | | |
| Loans & mortgages receivable-noncurrent portion | 169,642 | 0 | 252,014 | 151,672 | 0 | 0 | 0 | 0 | 573,328 |
| Land held for development & sale | 0 | 1,903,464 | 2,005,192 | 202,474 | 825,665 | 112,400 | 0 | 320,550 | 5,369,745 |
| Land options | 0 | 0 | 0 | 0 | 0 | 29,997 | 10,000 | 0 | 39,997 |
| Furniture & equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,739 | 7,739 |
| Buildings & improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,727,614 | 6,727,614 |
| Less: accumulated depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (112,380) | (112,380) |
| Equity investment in joint venture | 0 | 0 | 0 | 3,005,011 | 0 | 0 | 0 | 0 | 3,005,011 |
| Total noncurrent assets | 169,642 | 1,903,464 | 2,257,206 | 3,359,157 | 825,665 | 142,397 | 10,000 | 6,943,523 | 15,611,054 |
| Total assets | 375,553 | 1,919,008 | 2,390,019 | 3,767,621 | 827,837 | 638,006 | 265,193 | 7,425,722 | 17,608,959 |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| LIABILITIES: | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Accounts payable | 2,809 | 970 | 630 | 0 | 3,355 | 203,974 | 375 | 10,434 | 222,547 |
| Security deposits payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 108,680 | 108,680 |
| Customer deposits | 0 | 0 | 2,000 | 0 | 0 | 0 | 0 | 0 | 2,000 |
| Deferred revenue | 0 | 0 | 0 | 324 | 0 | 0 | 0 | 35,217 | 35,541 |
| Line of credit | 0 | 0 | 0 | 0 | 0 | 229,867 | 0 | 0 | 229,867 |
| Bond payable - current portion | 0 | 0 | 0 | 145,953 | 0 | 0 | 0 | 0 | 145,953 |
| Loans payable - current portion | 0 | 100,000 | 187,133 | 0 | 0 | 0 | 0 | 134,810 | 421,943 |
| Total current liabilities | 2,809 | 100,970 | 189,763 | 146,277 | 3,355 | 433,841 | 375 | 289,141 | 1,166,531 |
| Noncurrent Liabilities | | | | | | | | | |
| Bond payable - noncurrent portion | 0 | 0 | 0 | 1,316,047 | 0 | 0 | 0 | 0 | 1,316,047 |
| Loans payable - noncurrent portion | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,723,498 | 6,723,498 |
| Total noncurrent liabilities | 0 | 0 | 0 | 1,316,047 | 0 | 0 | 0 | 6,723,498 | 8,039,545 |
| Total Liabilities | 2,809 | 100,970 | 189,763 | 1,462,324 | 3,355 | 433,841 | 375 | 7,012,639 | 9,206,076 |
| NET ASSETS: | | | | | | | | | |
| Unrestricted | \$ 372,744 | \$ 1,818,038 | \$ 2,200,256 | \$ 2,305,297 | \$ 824,482 | \$ 204,165 | \$ 264,818 | \$ 413,083 | \$ 8,402,883 |

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
Year Ended December 31, 2010

| | Operating Fund | Gateway II Fund | Buffalo East South Fund | Ag Park Fund | Med Tech Park Fund | STAMP Fund | Buffalo East North Fund | Med Tech Centre Fund | Total |
|---|-------------------|---------------------|-------------------------|---------------------|--------------------|-------------------|-------------------------|----------------------|---------------------|
| OPERATING REVENUES: | | | | | | | | | |
| Grant income | \$ 27,694 | \$ 0 | \$ 150,000 | \$ 205,780 | \$ 3,218 | \$ 927,716 | \$ 93,375 | \$ 19,353 | \$ 1,427,136 |
| Interest income on loans | 192 | 0 | 8,044 | 4,262 | 0 | 0 | 0 | 0 | 12,498 |
| Rent | 0 | 0 | 0 | 0 | 0 | 600 | 0 | 338,011 | 338,611 |
| Total operating revenues | <u>27,886</u> | <u>0</u> | <u>158,044</u> | <u>210,042</u> | <u>3,218</u> | <u>928,316</u> | <u>93,375</u> | <u>357,364</u> | <u>1,778,245</u> |
| OPERATING EXPENSES: | | | | | | | | | |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 112,380 | 112,380 |
| Fees | 97 | 0 | 0 | 0 | 25 | 40 | 0 | 0 | 162 |
| Finance charge expense | 0 | 0 | 0 | 0 | 3,620 | 6,457 | 0 | 0 | 10,077 |
| Insurance | 3,442 | 934 | 678 | 0 | 343 | 459 | 0 | 4,147 | 10,003 |
| Miscellaneous expense | 11 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 12 |
| Professional fees | 28,994 | 0 | 1,011 | 0 | 6,865 | 944,140 | 23,529 | 6,578 | 1,011,117 |
| Site maintenance | 0 | 4,796 | 1,880 | 0 | 1,650 | 267 | 0 | 14,020 | 22,613 |
| Special district fees | 0 | 608 | 1,410 | 0 | 342 | 25 | 0 | 0 | 2,385 |
| Supplies | 193 | 0 | 0 | 0 | 0 | 0 | 0 | 3,306 | 3,499 |
| Telephone | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 504 | 504 |
| Travel | 0 | 0 | 0 | 0 | 0 | 119 | 0 | 0 | 119 |
| Utilities | 0 | 23 | 0 | 0 | 0 | 0 | 0 | 16,169 | 16,192 |
| Total operating expenses | <u>32,737</u> | <u>6,361</u> | <u>4,979</u> | <u>0</u> | <u>12,846</u> | <u>951,507</u> | <u>23,529</u> | <u>157,104</u> | <u>1,189,063</u> |
| Operating income (loss) | (4,851) | (6,361) | 153,065 | 210,042 | (9,628) | (23,191) | 69,846 | 200,260 | 589,182 |
| NON-OPERATING REVENUES (EXPENSES): | | | | | | | | | |
| Interfund revenue | 0 | 0 | 0 | 0 | 85,195 | 0 | 0 | 0 | 85,195 |
| Net income from joint venture | 0 | 0 | 0 | 7,429 | 0 | 0 | 0 | 0 | 7,429 |
| Interfund expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (85,195) | (85,195) |
| Interest expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (93,979) | (93,979) |
| Other interest income | 25 | 111 | 49 | 1 | 51 | 400 | 765 | 684 | 2,086 |
| Total non-operating revenues (expenses) | <u>25</u> | <u>111</u> | <u>49</u> | <u>7,430</u> | <u>85,246</u> | <u>400</u> | <u>765</u> | <u>(178,490)</u> | <u>(84,464)</u> |
| Change in net assets | (4,826) | (6,250) | 153,114 | 217,472 | 75,618 | (22,791) | 70,611 | 21,770 | 504,718 |
| Net assets - beginning of the period | 377,570 | 1,824,288 | 2,047,142 | 2,087,825 | 748,864 | 256,956 | 194,207 | 391,313 | 7,928,165 |
| Prior period adjustment | 0 | 0 | 0 | 0 | 0 | (30,000) | 0 | 0 | (30,000) |
| Net assets - end of the period | <u>\$ 372,744</u> | <u>\$ 1,818,038</u> | <u>\$ 2,200,256</u> | <u>\$ 2,305,297</u> | <u>\$ 824,482</u> | <u>\$ 204,165</u> | <u>\$ 264,818</u> | <u>\$ 413,083</u> | <u>\$ 8,402,883</u> |

**Genesee Gateway Local Development Corporation
Schedule of Land Development Agreements Outstanding
December 31, 2010**

None

**Genesee Gateway Local Development Corporation
Schedule of Land Development Agreements Terminating During the Year
December 31, 2010**

Name of Project: **Toyota of Batavia – For Profit Corporation**

Project number: L 08 02

Project owner and address: Toyota of Batavia
3899 West Main Street, Batavia, NY14020

Date: April 7, 2008

Purpose: 7,000 square foot expansion to existing Toyota dealership

Estimated project amount: \$975,000

Amount of tax exemptions: Sales Tax: \$44,000

Estimated jobs: New – 12
Retained – 18

Name of Project: **Coffee Cultures of New York, Inc. – For Profit Corporation**

Project number: L 09 01

Project owner and address: Coffee Cultures of New York, Inc.
6 Court Street, Batavia, NY14020

Date: September 15, 2009

Purpose: Purchase and renovation of 3,500 sq.ft. multi-tenant bldg, by Canadian based company i
high end café and eatery.

Estimated project amount: \$604,000

Amount of tax exemptions: Sales Tax: \$18,400

Estimated jobs: New – 13
Retained - 0

**Genesee Gateway Local Development Corporation
Schedule of Land Development Agreements Terminating During the Year
December 31, 2010**

Name of Project: **Batavia Shopping Center, LLC – For Profit Corporation**

Project number: L 08 01

Project owner and address: Batavia Shopping Center, LLC
5851 Ridge Bend Road, Memphis, TN38120

Date: May 1, 2008

Purpose: Construction of 35,280 square foot shopping plaza

Estimated project amount: \$4,100,000

Amount of tax exemptions: Sales Tax: \$120,000
Mortgage Tax: \$50,000

Estimated jobs: New – 45

Name of Project: **Main Street and Lake Street Development (Walgreens) – For Profit Corporation**

Project number: L 08 03

Project owner and address: Main St. & Lake St. Development, LLC
753 James Street, Suite B-1, Syracuse, NY13203

Date: August 1, 2008

Purpose: Construction of 13,386 square foot Walgreens Pharmacy

Estimated project amount: \$4,990,000

Amount of tax exemptions: Mortgage Tax: \$62,375

Estimated jobs: New – 18

SECTION D
SINGLE AUDIT

GRUVER, ZWEIFEL & SCOTT, LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Genesee Gateway Local Development Corporation's (the "GGLDC") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the GGLDC's major federal programs for the year ended December 31, 2010. The GGLDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the GGLDC's management. Our responsibility is to express an opinion on the GGLDC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the GGLDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the GGLDC's compliance with those requirements.

In our opinion, the GGLDC complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the GGLDC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the GGLDC's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the GGLDC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is more than 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.

Our consideration of the internal control over compliance was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Genesee Gateway Local Development Corporation, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gruva, Jureifel & Scott, LLP

Oneonta, New York
March 31, 2011

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2010

| <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 Agriculture: | | | |
| Community Facilities Loan | 10.766 | 37-019-331101375 | \$ 2,636,945 |
| U.S. Department of Housing and Urban Development Pass through: NYS Office of Community Renewal and the Town of Pembroke | | | |
| Community Development Block Grant | 14.228 | 893ED664-09 | 150,000 |
| Total Expenditures of Federal Awards | | | <u>\$ 2,786,945</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, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

NOTE 2 SUBRECIPIENTS

There were no subrecipients.

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements the GGLDC.
2. No significant deficiencies disclosed during the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the 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 auditor's report on compliance with requirements that could have a direct and material effect on major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the GGLDC expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program was the U.S. Department of Agriculture Community Facilities Loan - CFDA #10.766.
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The GGLDC does not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

- NONE -

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

- NONE -

GENESEE GATEWAY LOCAL DEVELOPMENT CORPORATION

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS

Year Ended December 31, 2010

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

- NONE -

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

- NONE -