

RECEIVED
JUL 23 2012
City Manager's Office

AUDITED
BASIC FINANCIAL STATEMENTS

BATAVIA DEVELOPMENT CORPORATION

MARCH 31, 2012

BATAVIA DEVELOPMENT CORPORATION

Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Basic Financial Statements:	
Statement of Net Assets	2
Statement of Revenues, Expenses and Changes in Net Assets.....	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	
Schedule of Findings and Responses	11



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of net assets of Batavia Development Corporation (the Corporation) as of March 31, 2012, and the related statements of revenues, expenses and changes in net assets and cash flows, for the year then ended. These financial statements are the responsibility of the Corporation'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 basic 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 financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of March 31, 2012, and the changes in its net assets and 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 June 27, 2012, on our consideration of the Corporation's internal control over financial reporting and 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.

The Corporation has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Freed Maxick CPAs, P.C.

Batavia, New York
June 27, 2012

BATAVIA DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS
March 31,

ASSETS	<u>2012</u>
Current assets:	
Cash and cash equivalents	\$ 41,491
Accounts receivable	<u>2,054</u>
 Total assets	 <u>\$ 43,545</u>
 LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 1,590
Accrued liabilities	1,241
Deferred revenue	<u>37,500</u>
Total liabilities	40,331
 Net assets:	
Unrestricted	 <u>3,214</u>
 Total liabilities and net assets	 <u>\$ 43,545</u>

See notes to financial statements.

BATAVIA DEVELOPMENT CORPORATION

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

	<u>2012</u>
Operating revenues:	
City of Batavia	\$ 54,554
Total operating revenues	<u>54,554</u>
Operating expenses:	
Salary and benefits	40,851
Insurance	3,201
Office expenses	409
Travel	558
Marketing and public relations	6,321
Total operating expenses	<u>51,340</u>
Change in net assets	3,214
Net assets - beginning of year	<u>-</u>
Net assets - end of year	<u>\$ 3,214</u>

See notes to financial statements.

BATAVIA DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31,

	<u>2012</u>
Cash flows from operating activities:	
Cash received from governmental agencies	\$ 90,000
Payments of service providers and suppliers	(8,899)
Payments for employee services	<u>(39,610)</u>
Net cash provided by operating activities	<u>41,491</u>
Net increase in cash and cash equivalents	41,491
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 41,491</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 3,214
Adjustment to reconcile income from operations to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in:	
Accounts receivable	(2,054)
Increase in:	
Accounts payable	1,590
Accrued liabilities	1,241
Deferred revenue	<u>37,500</u>
Net cash provided by operating activities	<u>\$ 41,491</u>

See notes to financial statements.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. New assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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

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

Invested in Capital Assets-Net of Related Debt: This represents the Corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Corporation did not have any net assets in this category at March 31, 2012.

Restricted Net Assets: This includes assets in which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The Corporation did not have any restricted net assets as of March 31, 2012.

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

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

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. CASH AND CASH EQUIVALENTS

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

C. DEFERRED REVENUE

The Corporation 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 Corporation before it has legal claim to them. In subsequent periods, when both recognition criteria are met, or when the Corporation has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. As of March 31, 2012, the Corporation recognized a liability for deferred revenue in the amount of \$37,500. This balance relates to revenue received from the City of Batavia for the year ending March 31, 2013.

D. USE OF ESTIMATES

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

E. STATEMENT OF CASH FLOWS

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

F. NEW ACCOUNTING PRONOUNCEMENTS

During the year ended March 31, 2012, no new accounting pronouncements were adopted.

The GASB has issued the following new statements:

- Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-employers Plans*, which will be effective for the year ending March 31, 2013;
- Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which will be effective for the year ending March 31, 2014;
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which will be effective for the year ending March 31, 2013;
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which will be effective for the year ending March 31, 2013; and
- Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, which will be effective for the year ending March 31, 2013.

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

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after June 27, 2012 which is the date these financial statements were available to be issued.

NOTE 3. DEPOSITS AND INVESTMENTS

The Corporation has not adopted their own investment policy, however Corporation investments are governed by State statutes. Under State statutes, District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

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

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

The Corporation currently follows State statutes despite not having 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 Board of Directors.

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

Credit Risk: The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation 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.

BATAVIA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 4. RECEIVABLES

Major revenues accrued by the Corporation at March 31, 2012, include the following:

City of Batavia Grant	\$ <u>2,054</u>
-----------------------	-----------------

NOTE 5. REVENUE AND CONCENTRATIONS

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

During the year ended March 31, 2012, the Corporation recognized \$54,554 of revenue from the City of Batavia. At March 31, 2012, the Corporation had accounts receivable from the City of \$2,054, as disclosed in Note 4.



**INDEPENDENT AUDITOR'S 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 Batavia Development Corporation
City of Batavia, New York

We have audited the financial statements of the Batavia Development Corporation (the Corporation) as of and for the year ended March 31, 2012, and have issued our report thereon dated June 27, 2012. 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

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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, detected and corrected on timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 12-1, that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 12-1.

The Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Board of Directors, management, others within the Corporation, and New York State Authorities Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Batavia, New York
June 27, 2012

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

I. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

12-1 Required Policies in Accordance with the Public Authorities Accountability Act

Criteria: The Corporation is required to adopt various policies as stated in the Public Authorities Accountability Act.

Condition: During our audit we noted that the Corporation has not adopted several policies which are required by the Public Authorities Accountability Act. These policies include an investment policy, an acquisition/disposition of real property policy, a procurement policy, and a defense and indemnification policy.

Context: During the audit it was noted that these policies had not yet been established or approved by the Board of Directors.

Effect: The Corporation was not in compliance with the Public Authorities Accountability Act.

Cause: The Corporation was re-established under New York State Corporation Laws, effective September 2011, and therefore, the Board is still in the process of complying with all of the requirements under Public Authorities Accountability Act.

Recommendation: We recommend that the Corporation adopt all policies required by the Public Authorities Accountability Act.

Response: The recommended Authorities Budget Office (ABO) policies are currently being reviewed by the Batavia Development Corporation Governance Committee with anticipated approval and adoption to take place at future board meetings.