

GENESEE GATEWAY LOCAL
DEVELOPMENT CORPORATION

REPORT TO THE BOARD OF DIRECTORS

Year Ended December 31, 2019

DRAFT

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



MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

March , 2020

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

Dear Members of the Board of Directors:

We are pleased to present the results of our audit of the consolidated financial statements of the Genesee Gateway Local Development Corporation (the "GGLDC") for the year ended December 31, 2019.

Our audit plan for the 2019 audit included a commitment to understand and deliver on management's expectations. Our approach to the audit was designed to combine a historical perspective with a focus on the GGLDC's industry and current emerging governmental issues.

This report to the Board of Directors summarizes our audit process, the scope of our engagement, the reports issued and various observations related to GGLDC's financial position and results of operations. The document also reviews the Board of Directors communications required by our professional standards, as well as current accounting issues that will affect the GGLDC.

The completion of this year's audit was accomplished through the effective support and the assistance of the GGLDC's personnel. As always, we strive to continually improve the quality of our audit services.

We appreciate the opportunity to serve you. If you have any questions or comments, please call us at (607) 432-8700.

Sincerely,

A handwritten signature in cursive script that reads "Mostert, Manzanero & Scott, LLP".

Mostert, Manzanero & Scott, LLP

CONTENTS

	<u>Page</u>
Summary of What We Agreed To Do	1
Required Communications	2 – 4
Management Letter	5

DRAFT

SUMMARY OF WHAT WE AGREED TO DO

Our Approach

As communicated with management in our planning letter dated November 5, 2019, our audit plan represented an approach responsive to the assessment of risk of the GGLDC. Specifically, we designed our audit to:

- Issue an opinion on the consolidated financial statements of the GGLDC for the year ended December 31, 2019.
- Issue a management letter to the Board of Directors and management.
- Issue an Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Issue an Independent Auditor's Report on Compliance with Investment Guidelines for Public Authorities.

Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

- Revenue and related receivables;
- Expenses and related payables;
- Audit risk assessment;
- Grants and grant expenditures;
- Loans and bonds payable and lines of credit; and
- Related party activity

REQUIRED COMMUNICATIONS

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

We have audited the consolidated financial statements of the Genesee Gateway Local Development Corporation the (“GGLDC”) and it’s wholly owned subsidiary, Genesee Agri-Business, LLC (“GAB, LLC”) for the year ended December 31, 2019, and have issued our report thereon dated March , 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and Uniform Guidance as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 5, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the GGLDC are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the GGLDC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting GGLDC’s financial statements was the allowances for bad debt associated with loans receivable.

Management’s estimate of allowance for bad debt is based on management’s analysis of loans outstanding and their history of collectability. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any misstatements required to be disclosed.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the GGLDC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the GGLDC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis (MD&A), which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplemental information, as listed in the table of contents, and accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Genesee Gateway Local Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
March , 2020

DRAFT

MANAGEMENT LETTER

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

In planning and performing our audit of the consolidated financial statements of the Genesee Gateway Local Development Corporation (the "GGLDC") and its wholly owned subsidiary, Genesee Agri-Business, LLC ("GAB, LLC") for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the GGLDC's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GGLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the GGLDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the GGLDC's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors and others within the GGLDC and is not intended to be, and should not be, used by anyone other than these specified parties.

Oneonta, New York
March , 2020

Mistert, Manzanero & Scott, LLP