

MUNIPRO, INC.
(A DISCRETELY PRESENTED COMPONENT UNIT
OF THE TOWN OF GREECE, NEW YORK)

Financial Statements
as of December 31, 2015 and 2014
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

MUNIPRO, INC.
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE TOWN OF GREECE, NEW YORK)

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Management's Discussion and Analysis (UNAUDITED)	3 - 6
Basic Financial Statements:	
Statements of Net Position	7
Statements of Revenues, Expenses and Change in Net Position.....	8
Statements of Cash Flows	9 - 10
Notes to the Basic Financial Statements.....	11 - 17
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 <i>Government Auditing Standards</i>	18 - 19

INDEPENDENT AUDITOR'S REPORT

March 24, 2016

To the Board of Directors of
MUNIPRO, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of MUNIPRO, Inc. (the Corporation), a discretely presented component unit of the Town of Greece, New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 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, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

MUNIPRO, INC.
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE TOWN OF GREECE, NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2015 AND 2014

THE ORGANIZATION

MUNIPRO, Inc. (the Corporation) was created for the purpose of acquiring land through purchase or donation within the boundaries of the Town of Greece, New York (the Town) in the County of Monroe. The Corporation prepares land which it has acquired for marketability and enters into long-term lease agreements with unrelated entities and remits a portion of net income from such property to the Town. The Corporation is a discretely presented component unit of the Town. Accordingly, the financial statements report only the activities of the Corporation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The financial statements of the Corporation include a management's discussion and analysis (MD&A) (this section), the statements of net position, statements of revenues, expenses and change in net position, statements of cash flows, and related notes to the financial statements. The statement of net position presents information on all of the Corporation's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Corporation is improving or deteriorating. The statement of revenues, expenses and change in net position presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as rental income receivable and services rendered but not yet paid for. The statement of cash flows provides information about the Corporation's receipts, payments, and net changes in cash resulting from operating, financing, and investing activities. The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Corporation's accounting methods and policies.

BASIS OF ACCOUNTING

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments, including public benefit corporations. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Corporation's activities are classified as proprietary activities.

FINANCIAL HIGHLIGHTS

The Statement of Net Position provides perspective of the Corporation as a whole. Assets of the Corporation exceeded liabilities by \$5,129,297 at the close of 2015.

STATEMENTS OF NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS:			
Current assets	\$ 127,665	\$ 490,873	\$ 555,509
Capital assets	<u>5,747,250</u>	<u>4,150,000</u>	<u>4,150,000</u>
Total assets	<u>5,874,915</u>	<u>4,640,873</u>	<u>4,705,509</u>
LIABILITIES:			
Current liabilities	9,603	4,293	1,025
Mortgage payable	<u>736,015</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>745,618</u>	<u>4,293</u>	<u>1,025</u>
NET POSITION:			
Net investment in capital assets	5,011,235	4,150,000	4,150,000
Unrestricted	<u>118,062</u>	<u>486,580</u>	<u>554,484</u>
Total net position	<u>\$ 5,129,297</u>	<u>\$ 4,636,580</u>	<u>\$ 4,704,484</u>

Assets

The Corporation's total assets increased approximately \$1,200,000 in 2015 from 2014. This was due to an increase in capital assets of approximately \$1,600,000 offset by decreases in cash, accounts receivable, and notes receivable. The increase in capital assets was due to the Corporation acquiring land held by Greece Economic Development Projects, Inc. (GEDPRO) after its dissolution. This was also the reason for the decrease in notes receivable as there was a receivable of approximately \$208,000 between MUNIPRO and GEDPRO. At dissolution this receivable was forgiven by MUNIPRO. The Mortgage payable amount of approximately \$736,000 was the result of the dissolution of GEDPRO and MUNIPRO taking over the payments of the GEDPRO held mortgage.

The Corporation's current assets decreased approximately \$65,000 in 2014 from 2013. This was due to a decrease in cash and cash equivalents of \$158,000 offset by an increase in accounts receivable of \$37,000 and an increase in notes and interest receivable of \$56,000. The increase in accounts receivable was due to timing of receipt of certain lease payments. The increase in notes and interest receivable of \$56,000 was due to the current year issuance of a promissory note to GEDPRO, another discretely presented component unit of the Town, in the amount of \$50,000 plus interest.

Capital Assets

The largest portion of the Corporation's net position reflects its investment in capital assets (i.e., land). The Corporation uses these capital assets to generate revenue; consequently, these assets are not available for future spending. As stated above, MUNIPRO acquired land from GEDPRO at GEDPRO's dissolution. There were no additional acquisitions or disposals of capital assets in 2015.

FINANCIAL HIGHLIGHTS (Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:			
Charges for services	\$ <u>567,269</u>	\$ <u>546,889</u>	\$ <u>542,322</u>
Total operating revenue	<u>567,269</u>	<u>546,889</u>	<u>542,322</u>
OPERATING EXPENSES:			
Services and supplies	<u>24,752</u>	<u>21,138</u>	<u>19,290</u>
Total operating expenses	<u>24,752</u>	<u>21,138</u>	<u>19,290</u>
Operating income	<u>542,517</u>	<u>525,751</u>	<u>523,032</u>
NON-OPERATING REVENUE (EXPENSE):			
Interest income	6,780	6,345	3,523
Mortgage interest expense	<u>(7,051)</u>	<u>-</u>	<u>-</u>
Total non-operating revenues	<u>(271)</u>	<u>6,345</u>	<u>3,523</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	542,246	532,096	526,555
TRANSFERS TO THE TOWN OF GREECE, NEW YORK	(600,000)	(600,000)	(600,000)
TRANSFERS FROM GEDPRO	<u>550,471</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	492,717	(67,904)	(73,445)
NET POSITION - beginning of year	<u>4,636,580</u>	<u>4,704,484</u>	<u>4,777,929</u>
NET POSITION - end of year	\$ <u>5,129,297</u>	\$ <u>4,636,580</u>	\$ <u>4,704,484</u>

Revenues

Operating revenues increased approximately \$20,000 in 2015 from 2014 mainly from the result of common area revenue charged to the Town of Greece highway department. Operating revenues increased approximately \$5,000 in 2014 from 2013 due to fluctuations in lease and rental payments. Non-operating revenues, decreased as the Corporation took over the Mortgage as noted on the balance sheet. This includes the interest payments which the Corporation now makes. The \$550,000 transfer from GEDPRO represents the transfer of all financial activity of GEDPRO at the date of dissolution.

Expenses

Total operating expenses increased approximately \$3,500 in 2015 due to a decrease in legal fees offset by an increase in road maintenance expenses. Operating expenses increased \$2,000 in 2014 due to the increase in legal fees offset by a decrease in financial fees.

Transfers to the Town of Greece, New York

Transfers to the Town, recorded in the statement of revenues, expenses and change in net position, were \$600,000 in 2015 and 2014. These transfers were in accordance with the agreement between the Corporation and the Town.

ECONOMIC FACTORS

The Corporation is largely unaffected by other current economic factors, as all of its land is currently being leased, much of it for several years into the future.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to MUNIPRO, Inc., c/o Town of Greece, 1 Vince Tofany Blvd., Greece, New York 14612.

MUNIPRO, INC.
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE TOWN OF GREECE, NEW YORK)

STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 92,785	\$ 191,326
ACCOUNTS RECEIVABLE	34,880	90,950
NOTES AND INTEREST RECEIVABLE - RELATED PARTY	-	208,597
CAPITAL ASSETS - LAND	<u>5,747,250</u>	<u>4,150,000</u>
Total assets	<u>5,874,915</u>	<u>4,640,873</u>
LIABILITIES		
MORTGAGE PAYABLE	736,015	-
ACCOUNTS PAYABLE	670	-
RENT RECEIVED IN ADVANCE	<u>8,933</u>	<u>4,293</u>
Total liabilities	<u>745,618</u>	<u>4,293</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	5,011,235	4,150,000
UNRESTRICTED	<u>118,062</u>	<u>486,580</u>
Total net position	<u>\$ 5,129,297</u>	<u>\$ 4,636,580</u>

The accompanying notes are an integral part of these statements.

MUNIPRO, INC.**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE TOWN OF GREECE, NEW YORK)****STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Charges for services	\$ 567,269	\$ 546,889
Total operating revenues	<u>567,269</u>	<u>546,889</u>
OPERATING EXPENSES:		
Services and supplies	<u>24,752</u>	<u>21,138</u>
Total operating expenses	<u>24,752</u>	<u>21,138</u>
Operating income	<u>542,517</u>	<u>525,751</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income	6,780	6,345
Mortgage interest expense	<u>(7,051)</u>	<u>-</u>
Total non-operating revenue (expense)	<u>(271)</u>	<u>6,345</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	542,246	532,096
TRANSFERS TO THE TOWN OF GREECE, NEW YORK	(600,000)	(600,000)
TRANSFERS FROM GEDPRO	<u>550,471</u>	<u>-</u>
CHANGE IN NET POSITION	492,717	(67,904)
NET POSITION - beginning of year	<u>4,636,580</u>	<u>4,704,484</u>
NET POSITION - end of year	<u>\$ 5,129,297</u>	<u>\$ 4,636,580</u>

The accompanying notes are an integral part of these statements.

MUNIPRO, INC.**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE TOWN OF GREECE, NEW YORK)****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 627,979	\$ 514,156
Cash paid to suppliers	<u>(24,082)</u>	<u>(22,163)</u>
Net cash flow from operating activities	<u>603,897</u>	<u>491,993</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:		
Borrowings on notes receivable from GEDPRO	(93,834)	-
Cash from GEDPRO dissolution	3,412	-
Payments to Town of Greece, New York	<u>(600,000)</u>	<u>(600,000)</u>
Net cash flow from non-capital financing activities	<u>(690,422)</u>	<u>(600,000)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on mortgage	(11,745)	-
Interest on mortgage	<u>(7,051)</u>	<u>-</u>
Net cash flow from capital and related financing activities	<u>(18,796)</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Issuance of notes receivable	-	(50,000)
Cash received for interest	<u>6,780</u>	<u>469</u>
Net cash flow from investing activities	<u>6,780</u>	<u>(49,531)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(98,541)	(157,538)
CASH AND CASH EQUIVALENTS - beginning of year	<u>191,326</u>	<u>348,864</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 92,785</u>	<u>\$ 191,326</u>

The accompanying notes are an integral part of these statements.

MUNIPRO, INC.**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE TOWN OF GREECE, NEW YORK)****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(Continued)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 542,517	\$ 525,751
Adjustments to reconcile operating income to net cash flow from operating activities:		
Changes in:		
Accounts receivable	56,070	(37,026)
Accounts payable	670	(1,025)
Rent received in advance	<u>4,640</u>	<u>4,293</u>
Net cash flow from operating activities	<u>\$ 603,897</u>	<u>\$ 491,993</u>
NON-CASH TRANSACTIONS:		
Acquisition of capital assets from GEDPRO	\$ 1,597,250	\$ -
Assumption of mortgage payable	\$ 736,015	\$ -
Forgiveness of notes and interest receivable - related party	\$ 208,597	\$ -

The accompanying notes are an integral part of these statements.

MUNIPRO, INC.
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE TOWN OF GREECE, NEW YORK)

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. ORGANIZATION AND REPORTING ENTITY

Reporting Entity

The financial statements of MUNIPRO, Inc. (the Corporation), are intended to present only that portion of the activities that are attributable to the transactions of the Corporation. The financial statements do not purport to and do not present the financial position of the Town of Greece, New York (the Town) as of December 31, 2015 and 2014, or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Nature of Operations

The Board of Directors governs the Corporation. The Board of Directors is the body responsible for overall operations.

The Corporation was established by the Town's Board and formed as a not-for-profit corporation, established under section 501(c)(2) of the Internal Revenue Code. The Town Board maintains the authority to appoint the Board of Directors of the Corporation. Since the Town Board has control over the Corporation, it is considered a discretely presented component unit of the Town and, therefore, operating results are included as a separate column in the Town's basic financial statements.

The purpose of the Corporation is to acquire land through purchase or donation. The land is valued upon acquisition at cost plus closing costs. The Corporation prepares the land for marketability and enters into long-term lease agreements with unrelated entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments, including public benefit corporations. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Corporation's activities are classified as proprietary activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

GASB requires the classification of net position into three categories defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2015 and 2014, the Corporation has no restricted net position.
- Unrestricted net position - This component of net position consists of those amounts that do not meet the definition of “net investment in capital assets”, or “restricted”.

When both restricted and unrestricted resources are available for use, it is the Corporation’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents

The Corporation considers cash and cash equivalents to be demand deposits and money market accounts.

Accounts Receivable

The Corporation provides credit to customers in the normal course of operations, but does not accrue interest on outstanding accounts receivable. Accounts for which no payments have been received for several months are considered delinquent and the account is written-off when customary collection efforts are exhausted. The Corporation has not recorded an allowance for doubtful accounts and does not anticipate future write-offs.

Notes Receivable-Related Party

The Corporation’s notes receivable-related party are reported at the outstanding principal balance plus accrued interest and represent lines-of-credit extended to Greece Economic Development Projects, Inc. (GEDPRO). In 2015, GEDPRO dissolved and all assets and liabilities were assumed by the Corporation. As such, this notes receivable-related party was forgiven by the Corporation.

Capital Assets

Capital assets are defined by the Corporation within the capitalization policy as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at acquisition cost including closing costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Payable

The Corporation's mortgage payable is reported as due within one year in the Statements of Net Position.

Rent Received in Advance

Rent received in advance represents lease payments received in advance and will be recognized as revenue as it is earned.

Revenues

The Corporation's primary operating revenue source is from long-term lease agreements for land use with unrelated entities. Non-operating revenue consists of interest income.

Income Taxes

The Corporation is a not-for-profit public benefit corporation and is exempt from income taxes under the Internal Revenue Code.

The Corporation is exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1992 C.C 418 as a governmental unit or affiliate of a governmental unit as described in the procedure.

Transfers to Town of Greece

Transfers are made to the Town annually pursuant to the Corporation's Articles of Incorporation. The transfers are expensed when they are made. The Corporation transferred \$600,000 to the Town during both the years ended December 31, 2015 and 2014.

Transfers from GEDPRO

A one-time transfer was made from GEDPRO during the year which included the net cash of GEDPRO at the date of its dissolution, along with the assumption of any assets and liabilities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS

Policies

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; and conform with the Public Authorities Law.

The Corporation's monies must be deposited in a bank or banks designated by the Board of Directors and, to the extent practicable; consistent with the cash requirements of the Corporation, all such money shall be deposited in interest bearing accounts. The Board authorizes the use of all commercial banks or trust companies located and authorized to do business in New York State.

The Corporation is incorporated as a not-for-profit and as such is not required to maintain collateral on its accounts, but has elected to do so. Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. The market value of collateral at all times must equal or exceed 102% of the principal amount of the certificate of deposit.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

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's investment and deposit policy authorizes the following types of investments for investing the Corporation's monies with commercial banks or trust companies located and authorized to do business with Monroe County:

- Savings Accounts;
- NOW Accounts;
- Money Market Deposit Accounts;
- Super NOW Accounts;
- 7 to 31 Day Accounts;
- Certificates of Deposit;
- Repurchase Agreements;
- US Treasury Bonds, Bills, Notes;
- Obligations of the United States and the State of New York and any obligations of any municipality and school district authorized within the state;
- Other investment instruments as may be approved by the Office of the State Comptroller from time to time.

Cash and cash equivalents

At December 31, 2015 and 2014, the Corporation's cash was covered by FDIC insurance, or by eligible securities held in the Corporation's name by a third-party custodial bank or by the bank's trust department. The Corporation's deposits consisted of the following at December 31:

	<u>2015</u>		<u>2014</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits	\$ <u>92,785</u>	\$ <u>92,785</u>	\$ <u>191,326</u>	\$ <u>191,326</u>

These deposits were insured or collateralized as follows:

	<u>2015</u>	<u>2014</u>
FDIC insurance	\$ <u>92,785</u>	\$ <u>191,326</u>

4. NOTES RECEIVABLE – RELATED PARTY

In 2014 the Corporation issued demand notes receivable to GEDPRO another component unit of the Town, in the form of lines-of-credit, to be drawn upon on an as-needed basis, not to exceed \$200,000. In 2015, this amount was increased to \$300,000. Interest on these notes is fixed at the prime percentage rate of interest as published in the Wall Street Journal at the date of each borrowing (currently 3.25% on all borrowings). The notes had an outstanding balance of \$200,000 plus accrued interest of \$8,597 at December 31, 2014. During 2015, the notes increased to \$293,834. Due to the dissolution of GEDPRO, this note was forgiven by the Corporation during 2015.

5. CAPITAL ASSETS

A summary of changes in capital assets was as follows:

<u>Type</u>	<u>Balance 1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
Capital assets not being depreciated:				
Land	\$ 4,150,000	\$ 1,597,250	\$ -	\$ 5,747,250
Total capital assets not being depreciated	<u>\$ 4,150,000</u>	<u>\$ 1,597,250</u>	<u>\$ -</u>	<u>\$ 5,747,250</u>

<u>Type</u>	<u>Balance 1/1/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Capital assets not being depreciated:				
Land	\$ 4,150,000	\$ -	\$ -	\$ 4,150,000
Total capital assets not being depreciated	<u>\$ 4,150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,150,000</u>

There were no depreciable assets as of December 31, 2015 and 2014.

6. LEASING AGREEMENTS

The Corporation has various lease agreements with unrelated parties for the use of its land. The lease agreements vary in terms ranging from 15 to 51 years and expire at various dates through 2049. They also vary in terms of annual payments, which range from \$48,000 to \$229,000. All of them have escalation clauses and various options to renew.

6. LEASING AGREEMENTS (Continued)

The following is a schedule of the future minimum lease income under these operating leases as of December 31:

2016	\$	547,645
2017		458,312
2018		290,658
2019		200,830
2020		194,633
2021-2025		973,165
2026-2030		998,142
2031-2035		1,041,285
2036-2040		1,079,466
2041-2045		1,145,415
Thereafter		<u>859,061</u>
	\$	<u>7,788,612</u>

The leases noted above are considered operating leases. Generally accepted accounting principles require lessors to recognize operating leases as rental income over the course of the lease using the straight-line basis; however, due to the significant terms of the underlying leases and the uncertainty of them continuing to termination, management has determined that recording revenue on a straight-line basis would not represent an accurate financial picture. As such, the Corporation recognizes revenue in accordance with the terms of the underlying lease agreements. Management evaluates each lease on an annual basis to determine if any changes should be made to the manner of recognition in the event that changes in the underlying lessees' operations impact the lease terms.

7. FINANCING ARRANGEMENTS

Mortgage Payable

The leases described above serve as collateral for a mortgage payable for vacant land owned by the Corporation, after the dissolution of GEDPRO, known as KPV/KPY. The mortgage requires monthly principal payments of \$3,915 plus interest at the one month LIBOR rate plus 350 basis points annually through August 2016, at which time the remaining principal balance of \$704,695 is due. The amount of outstanding principal on the mortgage was \$736,015 and \$782,993 at December 31, 2015 and 2014, respectively. The Board of Directors of the Corporation agreed to the terms in the mortgage. The mortgage was transferred to the Corporation on September 30, 2015.

Mortgage payable activity for the year ended December 31, 2015 was as follows:

Description	Balance <u>1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/15</u>	Due in <u>One Year</u>
Mortgage Payable	\$ -	\$ 747,760	\$ (11,745)	\$ 736,015	\$ 736,015

Cash paid for interest totaled \$7,051 in 2015.

As a stipulation of this mortgage, the Corporation must be in compliance with certain debt covenants. As of December 31, 2015, the Corporation has met the requirements of these covenants.

8. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. MUNIPRO is required to adopt the provisions of this Statement for the year ending May 31, 2017.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. MUNIPRO is required to adopt the provisions of Statement No. 76 for the year ending May 31, 2017, and should be adopted retroactively, with early adoption permitted.

MUNIPRO has not assessed the impact of these statements on its future financial statements.

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

March 24, 2016

To the Board of Directors of
MUNIPRO, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MUNIPRO, Inc. (the Corporation), a discretely presented component unit of the Town of Greece, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.