

March 6, 2013

To the Board of Directors of
Civic Center Monroe County Local Development Corporation:

We have audited the financial statements of Civic Center Monroe County Local Development Corporation (Civic Center) for the year ended December 31, 2012, and have issued our report thereon dated March 6, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 December 17, 2012. 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 Civic Center are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by Civic Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There are no particularly sensitive estimates in the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

There are no particularly sensitive disclosures in the financial statements. The financial statement disclosures are neutral, consistent and clear.

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SIGNIFICANT AUDIT FINDINGS (Continued)

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.

There were no misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 6, 2013.

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 Civic Center'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 Civic Center's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors, audit committee, and management of Civic Center and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co., LLP

**CIVIC CENTER MONROE COUNTY
LOCAL DEVELOPMENT CORPORATION**

**Financial Statements
as of December 31, 2012 and 2011
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 6, 2013

To the Board of Directors of
Civic Center Monroe County Local Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Civic Center Monroe County Local Development Corporation (Civic Center) (a New York nonprofit organization), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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.

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Civic Center as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2013 on our consideration of Civic Center'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 Civic Center's internal control over financial reporting and compliance.

Bonadio & Co., LLP

CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

**BALANCE SHEETS
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 434,856	\$ 608,599
Accounts receivable	99,044	174,854
Prepaid expenses	<u>89,611</u>	<u>88,260</u>
Total current assets	<u>623,511</u>	<u>871,713</u>
FIXED ASSETS:		
Land	3,920,000	3,920,000
Construction in progress	696,718	68,482
Buildings, net	<u>1,584,000</u>	<u>1,728,000</u>
Total fixed assets, net	<u>6,200,718</u>	<u>5,716,482</u>
Total assets	<u>\$ 6,824,229</u>	<u>\$ 6,588,195</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 314,985	\$ 43,848
Due to Monroe County	45,933	43,292
Current portion of deferred revenue	340,000	340,000
Interest payable	4,060	-
Other liabilities	<u>32,411</u>	<u>2,203</u>
Total current liabilities	737,389	429,343
DEFERRED REVENUE, net of current portion	<u>3,400,000</u>	<u>3,740,000</u>
Total liabilities	4,137,389	4,169,343
UNRESTRICTED NET ASSETS	<u>2,686,840</u>	<u>2,418,852</u>
Total liabilities and net assets	<u>\$ 6,824,229</u>	<u>\$ 6,588,195</u>

The accompanying notes are an integral part of these statements.

CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUE:		
Surface lot fees	\$ 87,581	\$ 78,166
Parking garage lease fees	492,099	506,427
Lease contract fee amortization	340,000	340,000
Other	<u>158</u>	<u>-</u>
Total operating revenue	<u>919,838</u>	<u>924,593</u>
OPERATING EXPENSES:		
Program -		
Property taxes	218,326	216,223
Management fee - MAPCO Civic Center, LLC	87,581	78,166
Building, maintenance, and repair	141,523	185,738
Depreciation	<u>144,000</u>	<u>144,000</u>
Total program expenses	<u>591,430</u>	<u>624,127</u>
Management and general -		
Professional services	56,923	83,063
Other	<u>4,588</u>	<u>4,543</u>
Total management and general expenses	<u>61,511</u>	<u>87,606</u>
Total operating expenses	<u>652,941</u>	<u>711,733</u>
OPERATING INCOME	<u>266,897</u>	<u>212,860</u>
NONOPERATING REVENUES:		
Interest income	<u>1,091</u>	<u>2,403</u>
Total nonoperating revenues	<u>1,091</u>	<u>2,403</u>
CHANGE IN NET ASSETS	267,988	215,263
NET ASSETS - beginning of year	<u>2,418,852</u>	<u>2,203,589</u>
NET ASSETS - end of year	<u>\$ 2,686,840</u>	<u>\$ 2,418,852</u>

The accompanying notes are an integral part of these statements.

CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
NET CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 267,988	\$ 215,263
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	144,000	144,000
Amortization of deferred revenue	(340,000)	(340,000)
Changes in:		
Accounts receivable	75,810	1,932
Prepaid expenses	(1,351)	(2,154)
Accounts payable	(43,084)	41,698
Due to Monroe County	2,641	(43,250)
Interest payable	4,060	-
Other liabilities	<u>30,208</u>	<u>2,203</u>
Net cash flow from operating activities	140,272	19,692
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of building improvements	<u>(314,015)</u>	<u>(7,434)</u>
Net cash flow from investing activities	<u>(314,015)</u>	<u>(7,434)</u>
CHANGE IN CASH	(173,743)	12,258
CASH - beginning of year	<u>608,599</u>	<u>596,341</u>
CASH - end of year	<u>\$ 434,856</u>	<u>\$ 608,599</u>
NON-CASH TRANSACTION:		
Building improvements included in accounts payable at year-end	<u>\$ 314,221</u>	<u>\$ 41,848</u>

The accompanying notes are an integral part of these statements.

CIVIC CENTER MONROE COUNTY LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

1. THE CORPORATION

Civic Center Monroe County Local Development Corporation (Civic Center) was established in 2002 and is governed by its Articles of Incorporation, bylaws and general laws of the State of New York. On December 30, 2003, Civic Center purchased a public parking garage in downtown Rochester, New York and entered into a management agreement to operate surface parking lots leased by the County of Monroe (the County), New York. Although the County is not financially accountable for Civic Center it does appoint a voting majority of the board and as such is considered a related-party to Civic Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

Civic Center's financial statements are prepared in conformity with accounting principles generally accepted in the United States.

At December 31, 2012 and 2011, all of Civic Center's net assets were unrestricted.

Cash

Cash consists of bank demand deposit accounts which, at times, may exceed federally insured limits. Civic Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Accounts Receivable

Civic Center records receivables based upon the terms of the management agreement between MAPCO Civic Center, LLC (MAPCO), an unrelated party, and Civic Center to operate the surface lots and parking garage. Civic Center provides an allowance for doubtful accounts based upon Civic Center's historical collection experience and review of outstanding accounts. At December 31, 2012 and 2011, no allowance was considered necessary.

Fixed Assets

Fixed assets are stated at cost or, if donated, at fair value at the date of contribution. Civic Center capitalizes fixed asset purchases greater than \$1,000, which have useful lives greater than one year. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for routine repairs and maintenance are expensed as incurred. Depreciation is computed on a straight-line basis over the shorter of the useful life or remaining lease term, or 20 years.

Deferred Revenue and Revenue Recognition

Deferred revenue is recorded for the lease contract fee received in advance under the terms of an operating lease agreement for the parking garage. The lease contract fee will be recognized as revenue on a straight-line basis over the 20-year term of the operating lease agreement which began in 2003. Parking fees are recognized as revenue as the services are provided to the customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Civic Center is a not-for-profit corporation organized pursuant to sections 402 and 1411 of the New York State Not-for-Profit Corporation law and is, therefore, exempt from income taxes. Civic Center is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit or affiliate of a governmental unit described in the procedure.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of December 31, 2012 and 2011, Civic Center does not have a liability for unrecognized tax benefits, nor does it file federal or New York State income tax returns.

Estimates

The preparation of the basic 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. CONCENTRATIONS

In 2012 and 2011, 100% of the Civic Center's total operating revenue and accounts receivable were attributable to MAPCO.

4. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Land	\$ 3,920,000	\$ 3,920,000
Construction in Progress	696,718	68,482
Buildings	<u>2,880,000</u>	<u>2,880,000</u>
	7,496,718	6,868,482
Less: Accumulated depreciation	<u>(1,296,000)</u>	<u>(1,152,000)</u>
	<u>\$ 6,200,718</u>	<u>\$ 5,716,482</u>

Depreciation expense for each of the years ended December 31, 2012 and 2011 was \$144,000.

During 2009, Civic Center began a significant project to undergo improvements to the garage structure. As of December 31, 2012, these improvements and the entire project scope were not complete, and accordingly the cost of construction-in-progress has not begun to be depreciated. When completed, the improvements will be amortized over the remaining lease term. Civic Center anticipates that the project will be completed in 2013.

5. COMMITMENTS

Leases

Civic Center has an operating lease agreement with MAPCO through December 2023 for a public parking garage that requires monthly rent payments payable once MAPCO's gross revenue for the lease year exceeds a pre-determined floor of \$1,000,000. This floor was exceeded in 2012 and 2011. The rent received under this agreement was \$492,099 and \$506,427 for 2012 and 2011, respectively. In connection with the execution of the lease agreement between MAPCO and Civic Center, MAPCO was required to pay a contract fee of \$6,800,000 to Civic Center for the right to operate the parking facility for 20 years. The payment was recorded as deferred revenue when received and is being recognized as revenue over the life of the lease. All fixed assets owned by Civic Center are currently being leased to MAPCO under this agreement.

Management Agreements

The County contracted with Civic Center to manage the County's surface lots in downtown Rochester through November 30, 2023. Simultaneously, Civic Center subcontracted with MAPCO to operate those same surface lots through the same time period. The agreement with MAPCO requires that Civic Center reimburse all of MAPCO's costs associated with managing the lot, as well as an amount equal to the lesser of 20 percent of gross receipts or 30 percent of net profits as defined in the agreement. Under the terms of this agreement, Civic Center recorded management fee expense to MAPCO and equal surface lot fees revenue of \$87,581 and \$78,166 for 2012 and 2011, respectively.

Under the agreement with the County, after the management fee is paid to MAPCO, any remaining proceeds from the surface lots are to be collected and remitted to the County. Under the terms of the agreement with the County, as an agent for the County, Civic Center distributed \$220,368 and \$198,567 to the County for 2012 and 2011, respectively. At December 31, 2012 and 2011 Civic Center, LDC had a liability to the County in the amount of \$34,998 and \$30,644, respectively, related to the surface lot fees collected, but not remitted.

Asset Retirement Obligations

Generally accepted accounting principles clarify that conditional asset retirement obligations meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. As of December 31, 2012, Civic Center had determined that no significant asset retirement obligations existed. This determination was based on Civic Center's assessment of expected renovations to the garage. As existing renovations have not identified asset retirement obligations, Civic Center could not develop a reasonable estimate of their fair values. Civic Center, LDC will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient, additional information becomes available.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 6, 2013, which is the date the financial statements were available to be issued.