

MUNIPRO, Inc.
**(A Discretely Presented Component Unit of
the Town of Greece, New York)**

**Financial Statements as of
December 31, 2020 and 2019
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)

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INDEPENDENT AUDITOR’S REPORT

March 24, 2021

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, 2020 and 2019, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of December 31, 2020 and 2019, and the 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.

Correction of Error

As discussed in Note 7 to the financial statements, the 2019 beginning net position has been restated to correct for land parcels not previously listed as capital assets. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2021 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 solely 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 effectiveness of the Corporation's 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, 2020 and 2019

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.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2020 and 2019

FINANCIAL HIGHLIGHTS

The Statement of Net Position provides perspective of the Corporation as a whole. Net position of the Corporation was \$6,812,398 at the close of 2020. At the close of 2019 the total net position was \$6,356,644.

	<u>Condensed Statements of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total assets	\$ 6,833,142	\$ 6,740,556	\$ 6,036,921
Liabilities:			
Current liabilities	6,150	46,449	49,262
Escrow deposit and unearned revenue	14,594	24,594	-
Mortgage payable, net of current portion	<u>-</u>	<u>312,869</u>	<u>347,686</u>
Total liabilities	<u>20,744</u>	<u>383,912</u>	<u>396,948</u>
Net position	<u>\$ 6,812,398</u>	<u>\$ 6,356,644</u>	<u>\$ 5,639,973</u>

The Corporation's total assets increased approximately \$93,000 in 2020 from 2019. This was due to an increase in accounts receivable as lease payments were not paid on time as a result of the COVID-19 pandemic. Additionally, there was a prior period adjustment in 2020 to account for additional land that should have been recorded on the Corporation's books that was not. Liabilities decreased approximately \$363,000 as a result of the remaining mortgage being paid off.

The Corporation's total assets decreased approximately \$13,000 in 2019 from 2018. This was due to a decrease in accounts receivable. The decrease in accounts receivable was due to an error in the calculation. Total liabilities decreased approximately \$13,000 due to the repayment of the mortgage payable offset by an increase in deferred revenue for escrow received in anticipation of the 2020 land sale.

MUNIPRO, Inc.**(A Discretely Presented Component Unit of the Town of Greece, New York)****Management's Discussion and Analysis (Unaudited)****December 31, 2020 and 2019**

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. There was sale of land in 2020 that decreased the balance of capital assets by \$315,826. Additionally, there was a prior period adjustment for 2019 that increased land by \$716,491. No land sales occurred in 2019, but there was one land sale in 2018 that decreased the balance of capital assets approximately \$87,000.

	Condensed Statements of Revenues, Expenses and Change in Net Position		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 1,024,716	\$ 581,444	\$ 1,038,882
Operating expenses	<u>(63,303)</u>	<u>(60,698)</u>	<u>(70,079)</u>
Operating income	961,413	520,746	968,803
Non-operating revenue (expense)	(5,659)	(20,566)	(26,781)
Transfers to Town of Greece	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>
Change in net position	<u>\$ 455,754</u>	<u>\$ 180</u>	<u>\$ 442,022</u>

Expenses

Total operating expenses increased approximately \$3,000 in 2020. Total operating expenses decreased approximately \$9,000 in 2019 mainly due to no legal activity in the current year and therefore no fees were accumulated.

Revenues

Of the three years presented, 2019 was the only year in which land was not sold, which results in a increase of revenue in 2020 from 2019 for approximately \$443,000 and a decrease in revenue in 2019 from 2018 for approximately \$457,000.

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 \$500,000 in both 2020 and 2019. These transfers were in accordance with the agreement between the Corporation and the Town.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2020 and 2019

ECONOMIC FACTORS

As a result of the COVID-19 pandemic, lease payments to the Corporation were not made by one of the lessees and were delayed by two of the other lessees.

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, 2020 and 2019

	<u>2020</u>	<u>2019</u> (Restated)
ASSETS		
Cash and cash equivalents	\$ 559,019	\$ 352,032
Accounts receivable	213,426	12,001
Capital assets - land	<u>6,060,697</u>	<u>6,376,523</u>
 Total assets	 <u>6,833,142</u>	 <u>6,740,556</u>
LIABILITIES		
Accounts payable	6,150	11,632
Escrow deposit and unearned revenue	14,594	24,594
Mortgage payable, current portion	-	34,817
Mortgage payable, net of current portion	<u>-</u>	<u>312,869</u>
 Total liabilities	 <u>20,744</u>	 <u>383,912</u>
NET POSITION		
Net investment in capital assets	6,060,697	6,028,837
Unrestricted	<u>751,701</u>	<u>327,807</u>
 Total net position	 <u>\$ 6,812,398</u>	 <u>\$ 6,356,644</u>

The accompanying notes are an integral part of these financial 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, 2020 and 2019**

	<u>2020</u>	<u>2019</u> (Restated)
OPERATING REVENUES:		
Charges for services	\$ 590,542	\$ 581,444
Sale of land	<u>434,174</u>	<u>-</u>
Total operating revenues	<u>1,024,716</u>	<u>581,444</u>
OPERATING EXPENSES:		
Services and supplies	<u>63,303</u>	<u>60,698</u>
Total operating expenses	<u>63,303</u>	<u>60,698</u>
Operating income	<u>961,413</u>	<u>520,746</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income	666	1,135
Mortgage interest expense	<u>(6,325)</u>	<u>(21,701)</u>
Total non-operating revenue (expense)	<u>(5,659)</u>	<u>(20,566)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	955,754	500,180
TRANSFERS TO THE TOWN OF GREECE, NEW YORK	<u>(500,000)</u>	<u>(500,000)</u>
CHANGE IN NET POSITION	<u>455,754</u>	<u>180</u>
NET POSITION - beginning of year, as previously reported	6,356,644	5,639,973
PRIOR PERIOD ADJUSTMENT (Note 7)	<u>-</u>	<u>716,491</u>
NET POSITION - beginning of year, as restated	<u>6,356,644</u>	<u>6,356,464</u>
NET POSITION - end of year	<u>\$ 6,812,398</u>	<u>\$ 6,356,644</u>

The accompanying notes are an integral part of these financial statements.

MUNIPRO, Inc.**(A Discretely Presented Component Unit of the Town of Greece, New York)****Statements of Cash Flows****December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 389,117	\$ 677,843
Cash received from sale of land	740,000	20,000
Cash paid to suppliers	<u>(68,785)</u>	<u>(63,511)</u>
Net cash flow from operating activities	<u>1,060,332</u>	<u>634,332</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:		
Payments to Town of Greece, New York	<u>(500,000)</u>	<u>(500,000)</u>
Net cash flow used in non-capital financing activities	<u>(500,000)</u>	<u>(500,000)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on mortgage	(347,686)	(34,817)
Interest on mortgage	<u>(6,325)</u>	<u>(21,701)</u>
Net cash flow used in capital and related financing activities	<u>(354,011)</u>	<u>(56,518)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Cash received for interest	<u>666</u>	<u>1,135</u>
Net cash flow from investing activities	<u>666</u>	<u>1,135</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	206,987	78,949
CASH AND CASH EQUIVALENTS - beginning of year	<u>352,032</u>	<u>273,083</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 559,019</u>	<u>\$ 352,032</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 961,413	\$ 520,746
Gain on sale of land	315,826	-
Adjustments to reconcile operating income to net cash flow from operating activities:		
Changes in:		
Accounts receivable	(201,425)	91,805
Escrow deposit	(10,000)	20,000
Unearned revenue	-	4,594
Accounts payable	<u>(5,482)</u>	<u>(2,813)</u>
Net cash flow from operating activities	<u>\$ 1,060,332</u>	<u>\$ 634,332</u>

The accompanying notes are an integral part of these financial statements.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Notes to Basic Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, 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 or sale 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.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Notes to Basic Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, 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 interest bearing 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 at December 31, 2020 or 2019.

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.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Notes to Basic Financial Statements
December 31, 2020 and 2019

Unearned Revenue and Escrow Deposit

Unearned revenue represents lease payments received in advance and will be recognized as revenue as it is earned. Escrow deposit relates to monies reserved in connection with the future sale of land.

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 \$500,000 to the Town during both the years ended December 31, 2020 and 2019, respectively.

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.

MUNIPRO, Inc.
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Notes to Basic Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, 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:

	2020		2019	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Primary Government	\$ 559,019	\$ 559,019	\$ 352,032	\$ 352,032
Covered by FDIC insurance	\$ 400,300		\$ 352,032	
Collateralized by bank	<u>161,894</u>		<u>-</u>	
Total	<u>\$ 562,194</u>		<u>\$ 352,032</u>	

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Notes to Basic Financial Statements
December 31, 2020 and 2019

4. CAPITAL ASSETS

A summary of changes in capital assets was as follows:

	Balance <u>1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/20</u>
Capital assets not being depreciated:				
Land	\$ 6,376,523	\$ -	\$ (315,826)	\$ 6,060,697
Total capital assets not being depreciated	<u>\$ 6,376,523</u>	<u>\$ -</u>	<u>\$ (315,826)</u>	<u>\$ 6,060,697</u>

	Restated Balance <u>1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	Restated Balance <u>12/31/19</u>
Capital assets not being depreciated:				
Land	\$ 6,376,523	\$ -	\$ -	\$ 6,376,523
Total capital assets not being depreciated	<u>\$ 6,376,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,376,523</u>

There were no depreciable assets as of December 31, 2020 and 2019.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Notes to Basic Financial Statements
December 31, 2020 and 2019

5. LEASING ARRANGEMENTS

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 approximately \$51,000 to \$229,000. All of them have escalation clauses and various options to renew.

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

2021	578,993
2022	442,060
2023	304,017
2024	202,952
2025	194,633
2026-2030	990,195
2031-2035	1,041,285
2036-2040	1,067,318
2041-2045	1,145,415
2046-2049	<u>859,061</u>
	<u>\$ 6,825,929</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.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Notes to Basic Financial Statements
December 31, 2020 and 2019

6. FINANCING ARRANGEMENTS

Mortgage Payable

The leases described above serve as collateral for a mortgage payable for vacant land owned by the Corporation, known as KPV/KPY. The outstanding mortgage was obtained from direct borrowings related to the business-type activities. The mortgage as of January 31, 2017 requires monthly principal payments of \$2,901 plus interest at the one month LIBOR rate plus 350 basis points annually through February 2022, at which time the remaining principal balance is due. In June of 2018, the Corporation sold a piece of land and used \$250,000 of the proceeds to pay down the mortgage. Therefore, the remaining principal balance due in February 2022 was \$278,052. The amount of outstanding principal on the mortgage was \$347,686 at December 31, 2019. In February 2020, the Corporation sold a piece of land and used part of the \$434,174 of the proceeds to pay off the remaining mortgage. The Board of Directors of the Corporation agreed to the terms in the mortgage.

Mortgage payable activity for the year ended was as follows:

	Balance <u>1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/20</u>	Due within <u>one year</u>
Mortgage payable	\$ 347,686	\$ -	\$ (347,686)	\$ -	\$ -

	Balance <u>1/1/19</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/19</u>	Due within <u>one year</u>
Mortgage payable	\$ 382,503	\$ -	\$ (34,817)	\$ 347,686	\$ 34,817

Cash paid for interest totaled \$6,325 and \$21,701 in 2020 and 2019, respectively.

7. PRIOR PERIOD ADJUSTMENT

Correction of an Error

The beginning net position has been restated to account for land parcels not previously listed as capital assets, but which were in fact owned by Munipro Inc. prior to the start of the current year. The impacts on the prior year financial statements are presented in the table below. There was no impact on the change in net position. Net position at 1/1/19 increased by \$716,491.

	<u>Capital assets</u>	<u>Net position</u>
Balance at December 31, 2018	\$ 5,660,032	\$ 5,639,973
Correction of an error	716,491	716,491
Balance at December 31, 2018, as restated	<u>\$ 6,376,523</u>	<u>\$ 6,356,464</u>

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Notes to Basic Financial Statements
December 31, 2020 and 2019

8. COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

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, 2021

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., a discretely presented component unit of the Town of Greece, New York (the Corporation), as of and for the year ended December 31, 2020, 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, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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, misstatement 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 statement 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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 financial statements. 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*.

Corporation's Response to Findings

The Corporation's response to the finding identified in our audit was described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

MUNIPRO, Inc.
(A Discretely Presented Component Unit of the Town of Greece, New York)

Schedule of Findings and Questioned Costs
For the year ended December 31, 2020

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP. Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2020-001: Material Audit Adjustments

Condition/Criteria: The financial statements for the year ended December 31, 2020 required a significant adjustment to capital assets in order to be fairly presented in accordance with generally accepted accounting principles. The Corporation should ensure that all transactions are properly recorded within the Corporation's accounting system.

Cause: A lack of controls over the financial reporting process for capital assets led to the significant adjustment to be recorded.

Effect: The Corporation's accounting records did not accurately reflect the balance of capital assets for the year ended December 31, 2020; and therefore required a significant adjustment to the prior year financials.

Recommendation: We recommend that the Corporation ensure that the list of capital assets is a complete listing as verified by internal and external documentation.

Management Response: Management has used all available resources to ensure that the capital assets listing is complete.