

**LIVINGSTON COUNTY DEVELOPMENT
CORPORATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Livingston County Development Corporation
Geneseo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Livingston County Development Corporation, a not-for-profit local development corporation, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Livingston County Development 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.

Auditors' 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 auditors' 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 Livingston County Development Corporation as of December 31, 2016 and 2015, 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 Matters

Correction of an Error

As indicated in Note 6, the 2015 financial statements have been restated subsequent to their issuance to correct an error in accounting for grant income. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Livingston County Development Corporation's basic financial statements. The management's discussion and analysis on pages 3 - 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017, on our consideration of the Livingston County Development 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 Livingston County Development Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 23, 2017

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2016

The following is a discussion and analysis of the Livingston County Development Corporation's (the "Corporation") financial performance for the year ended December 31, 2016. The management's discussion and analysis is a summary of the Corporation's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Corporation's financial statements, which immediately follow this section.

Financial Highlights

- Total assets as reported equal \$1,496,256 and \$1,474,749 for the years ended December 31, 2016 and 2015, respectively. This represents a increase of \$21,507, or 1.5% from the prior year.
- Total revenues equal \$781,278 for the year ended December 31, 2016, an increase of \$248,020 or 46.5% from the prior year revenues of \$533,258. Total operating expenses equal \$760,147 for the year ended December 31, 2016. This represents an increase of \$249,185, or 48.8% from the prior year expenditures of \$510,962.
- The Corporation's activities and financial conditions in 2016 did not fundamentally change from 2015. The Corporation did not discontinue any activities or undertake new functions. Three New York Main Street contracts were awarded, and entered into in early 2016

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. This report includes the independent auditors' report, financial statements and notes to financial statements that will enhance the reader's understanding of the financial condition of the Corporation.

Required Financial Statements - The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include:

- **Statements of Financial Position** - Presents all assets, liabilities and the net assets of the Corporation at December 31, 2016 and 2015. The statements provide information about the amounts and investments in resources (assets) and the obligations to creditors (liabilities).
- **Statements of Activities** - Presents the financial activity for the years ended December 31, 2016 and 2015 and displays how this activity changed the Corporation's net assets. The statement provides information on the Corporation's operations and can be used to determine if the Corporation has recovered all of its costs through grants, user fees and other charges.
- **Statements of Cash Flows** - Presents the cash provided and used in operations, investing and financing activities during 2016 and 2015 and how it affects the cash balances at December 31, 2016 and 2015.
- **Notes to Financial Statements** - Provides information regarding the Corporation and explains in more detail the information included in the financial statements.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Financial Analysis

The analysis following summarizes the statements of financial position (Table 1), changes in net assets (Table 2) and the statement of cash flows (Table 3) of the Corporation as of and for the years ended December 31:

Table 1
Condensed Statements of Financial Position

| | <u>2016</u> | <u>Restated 2015</u> | <u>Dollar Change</u> | <u>% Change</u> |
|---|---------------------|--------------------------|--------------------------|---------------------|
| Assets | | | | |
| Current assets | \$ 1,009,452 | \$ 988,925 | \$ 20,527 | 2.1 |
| Non-current assets | 486,804 | 485,824 | 980 | 0.2 |
| Total assets | <u>\$ 1,496,256</u> | <u>\$ 1,474,749</u> | <u>\$ 21,507</u> | <u>1.5</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 4,103 | \$ (4,103) | (100.0) |
| Other liabilities | 918 | - | 918 | 100.0 |
| Deferred revenue | 201,774 | 201,774 | - | - |
| Total liabilities | <u>202,692</u> | <u>205,877</u> | <u>(3,185)</u> | <u>(1.5)</u> |
| Net Assets | | | | |
| Restricted net assets - loans | 573,477 | 562,889 | 10,588 | 1.9 |
| Unrestricted | 720,087 | 705,983 | 14,104 | 2.0 |
| Total net assets | <u>1,293,564</u> | <u>1,268,872</u> | <u>24,692</u> | <u>1.9</u> |
| Total Liabilities and Net Assets | <u>\$ 1,496,256</u> | <u>\$ 1,474,749</u> | <u>\$ 21,507</u> | <u>1.5</u> |

The Corporation is the lead agency among Livingston County's three economic development corporations for small business growth and downtown development. It operates loan and grant programs to carry out these purposes as well as funds other non-county entities that further small business growth and entrepreneurship.

Current assets, primarily cash, decreased (2.1)% between 2016 and 2015 due to the fact that the Corporation funded one new loan in 2016, brought on two new consultants during 2016, and incurred expenses related to implementation of a strategic plan.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Financial Analysis (Continued)

Table 2 shows the changes in net assets for the years ended December 31:

Table 2
Condensed Statements of Activities

| | <u>2016</u> | <u>Restated 2015</u> | <u>Dollar Change</u> | <u>% Change</u> |
|-------------------------------|---------------------|--------------------------|--------------------------|---------------------|
| Revenue | | | | |
| Grant income | \$ 717,843 | \$ 464,218 | \$ 253,625 | 54.6 |
| Village program income | 36,000 | 36,000 | - | - |
| Interest income - loans | 10,706 | 20,061 | (9,355) | (46.6) |
| Administrative income | 16,729 | 8,529 | 8,200 | 96.1 |
| Destination downtown income | - | 4,450 | (4,450) | (100.0) |
| Total revenue | <u>781,278</u> | <u>533,258</u> | <u>248,020</u> | <u>46.5</u> |
| Expenses | | | | |
| Grant expense | 432,384 | 293,405 | 138,979 | 47.4 |
| Professional fees | 119,226 | 68,754 | 50,472 | 73.4 |
| Payroll expense | 62,710 | 67,536 | (4,826) | (7.1) |
| Village program expense | 68,584 | 48,642 | 19,942 | 41.0 |
| General expenses | 77,243 | 20,123 | 57,120 | 283.9 |
| Bad debt expense | - | 6,621 | (6,621) | (100.0) |
| Destination downtown expenses | - | 5,881 | (5,881) | (100.0) |
| Total expenses | <u>760,147</u> | <u>510,962</u> | <u>249,185</u> | <u>48.8</u> |
| Operating Income | 21,131 | 22,296 | (1,165) | 5.2 |
| Non-Operating Revenue | <u>3,561</u> | <u>178</u> | <u>3,383</u> | <u>1,900.6</u> |
| Change in Net Assets | 24,692 | 22,474 | 2,218 | (9.9) |
| Net Assets - Beginning | <u>1,268,872</u> | <u>1,246,398</u> | <u>22,474</u> | <u>1.8</u> |
| Net Assets - Ending | <u>\$ 1,293,564</u> | <u>\$ 1,268,872</u> | <u>\$ 24,692</u> | <u>1.9</u> |

Financial Analysis of the Agency's Financial Position and Results of Operation

In 2012, the Corporation entered into an agreement with the Livingston County Industrial Development Agency (LCIDA), in which the LCIDA provided the Corporation with funds for the facilitation of the creation and growth of small businesses within Livingston County. The contract is renewable annually and continued in 2016 in the amount of \$68,000. The Villages program expense increased in 2016. Grant income increased in 2016 due to multiple factors. First, an additional \$5,500 was received from the County. Also, the Corporation received funds from the Housing Trust Fund Corporation under the New York Main Street grant program. Most of these grants are reimbursement based, accounting for the increase in grant income and expense in 2016.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Financial Analysis (Continued)

Another important factor is the Corporation's cash position and statement of cash flows. A condensed version of the Corporation's statements of cash flows follows:

Table 3
Condensed Statements of Cash Flows

| | <u>2016</u> | <u>Restated 2015</u> |
|--|-----------------------|--------------------------|
| Cash Flow from Operating Activities | | |
| Receipts from grants | \$ 702,145 | \$ 500,218 |
| Payments of grants | (500,968) | (342,047) |
| Receipts from loan collections | 69,995 | 191,471 |
| Payments for loans | (75,000) | (100,000) |
| Interest income - loans | 10,706 | 20,061 |
| Receipts from providing services | 16,729 | 12,979 |
| Payments of service providers and suppliers | (199,654) | (93,450) |
| Payments for employee services | <u>(62,710)</u> | <u>(67,536)</u> |
| Net cash flows from operating activities | <u>(38,757)</u> | <u>121,696</u> |
| Cash Flow from Investing Activities | | |
| Interest income - bank | <u>3,561</u> | <u>178</u> |
| Net cash flows from investing activities | <u>3,561</u> | <u>178</u> |
| Net Change in Cash and Cash Equivalents | (35,196) | 121,874 |
| Cash and Cash Equivalents - Beginning | <u>897,916</u> | <u>776,042</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 862,720</u> | <u>\$ 897,916</u> |

The Corporation's Budgetary Highlights

The Corporation operates with few fixed expenses and little overhead. Variable expenditures are principally related to the Corporation's level of activity. By recognition of the variable nature of the Corporation's revenues, the Livingston County Development Corporation minimizes fixed and recurring expenditures and budgets a low level of support services in legal and engineering.

The Corporation believes these are sound practices that are reflected in the Corporation's strong net assets and liquidity both this year and historically.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Factors Bearing on the Future of the Agency

The Livingston County Development Corporation ("LCDC") focuses primarily on the administration of grant funding and program execution.

New York Main Street / Sign & Façade:

In 2016, the Corporation administered New York Main Street grants in Dansville, Mt. Morris, Geneseo, Caledonia and Livonia. A 60-day extension was requested beyond calendar year-end 2016 to finish two (2) projects, however after including those, the Dansville, Mt. Morris and Geneseo grant had a total of 17 projects for a total investment of \$1,097,649. The Caledonia and Livonia grants are in-process and have a completion date of calendar year-end 2017. In addition, the Sign and Façade Program funded \$68,584 comprised of 17 projects. One (1) loan was funded in 2016 for a total of \$75,000 with no serious delinquencies or doubtful collectability concerns with the remaining loans. One (1) loan also paid-off.

Other Grant Status:

The Corporation closed-out three (3) other grants, two (2) of which were from the USDA which were used to fund the strategic plan and the feasibility study for the small grain facility. The other was an EDA grant which funded the completion and dedication of Tec Drive and was closed-out in August.

Looking forward, the LCDC was awarded funding for the feasibility of a public market to be located in Livingston County (\$15,000), a CDBG grant to promote and assist with the development of four (4) craft beverage businesses (\$185,000) and a USDA grant to complete a business plan for the small grain facility (\$67,000). Lastly is the CDBG grant to assist WNY Cheese Enterprise (\$506,000) and is under contract with a consultant for administration.

Programs:

The Downtown Partnership continued with all nine (9) Villages in the County participating. We look for this program to remain in full effect, however, it is anticipated that two (2) Villages will drop-out due to having appropriated their budget funding elsewhere.

An agreement between the County, LCDC and the Livingston County Chamber of Commerce exists to administer a county-wide "Buy Local" program. The purpose of the campaign is to encourage residents to, wherever and whenever possible, purchase items using local merchants as opposed to seeking alternatives out-of-county. The program has created awareness among residents and merchants appreciate the reinvestment toward marketing assistance.

A business plan competition was kicked-off in September to source applicants who would be interested in brewing craft beverages in Livingston County. A total of 15 finalists were identified to move forward through the process of the competition, which entailed a 5-week "boot camp" of learning how to be successful in operating your own craft brewing business. The course provided speakers from the industry as well as experts in finance, marketing and law. The end result aims to assist four (4) winners with grant funding and resources to christen a newly created craft beverage trail for the county.

Contacting the Corporation's Financial Management

This financial report is written to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the Corporation and to demonstrate its accountability with the money it receives. If you have any questions about this report or need additional financial information, please contact:

Mr. William Bacon, Executive Director
Livingston County Government Center 6 Court Street - Room 306
Geneseo NY, 14454
585-243-7124

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents - unrestricted | \$ 289,243 | \$ 335,027 |
| Cash and cash equivalents - restricted | 573,477 | 562,889 |
| Accounts receivable - net | 8,698 | - |
| Grants receivable | 43,000 | - |
| Loans receivable - net | <u>95,034</u> | <u>91,009</u> |
| Total current assets | <u>1,009,452</u> | <u>988,925</u> |
| Non-Current Assets | | |
| Loans receivable - net | <u>486,804</u> | <u>485,824</u> |
| Total non-current assets | <u>486,804</u> | <u>485,824</u> |
| Total Assets | <u>\$ 1,496,256</u> | <u>\$ 1,474,749</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ - | \$ 4,103 |
| Other liabilities | 918 | - |
| Deferred revenue - Livingston County | <u>201,774</u> | <u>201,774</u> |
| Total current liabilities | <u>202,692</u> | <u>205,877</u> |
| Net Assets | | |
| Restricted net assets - loans | 573,477 | 562,889 |
| Unrestricted net assets | <u>720,087</u> | <u>705,983</u> |
| Total net assets | <u>1,293,564</u> | <u>1,268,872</u> |
| Total Liabilities and Net Assets | <u>\$ 1,496,256</u> | <u>\$ 1,474,749</u> |

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

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Statements of Activities
For the Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|--|---------------------|--------------------------|
| Revenue | | |
| Grant income - economic development | \$ 717,843 | \$ 464,218 |
| Village program income | 36,000 | 36,000 |
| Interest income - loans | 10,706 | 20,061 |
| Administrative income | 16,729 | 8,529 |
| Destination downtown income | - | 4,450 |
| Total revenue | <u>781,278</u> | <u>533,258</u> |
| Expenses | | |
| Grant expense | 432,384 | 293,405 |
| Consulting fees | 113,400 | 60,082 |
| Village program expense | 68,584 | 48,642 |
| Payroll expense | 62,710 | 67,536 |
| Strategic plan expense | 40,372 | - |
| Advertising and marketing | 27,753 | 9,610 |
| Accounting and audit fees | 4,225 | 4,100 |
| Office expense and supplies | 3,046 | 3,300 |
| Travel expense | 1,904 | 3,059 |
| Memberships | 1,703 | 633 |
| Legal and professional fees | 1,601 | 4,572 |
| Conferences and seminars | 1,440 | 1,702 |
| Website development | 650 | 687 |
| Registration and filing fees | 250 | 500 |
| Insurance expense | 125 | 632 |
| Destination downtown expense | - | 5,881 |
| Bad debt expense | - | 6,621 |
| Total expenses | <u>760,147</u> | <u>510,962</u> |
| Operating Income | <u>21,131</u> | <u>22,296</u> |
| Non-Operating Revenue | | |
| Interest income - bank | <u>3,561</u> | <u>178</u> |
| Total non-operating revenue | <u>3,561</u> | <u>178</u> |
| Change in Net Assets | 24,692 | 22,474 |
| Net Assets - Beginning, as Restated | <u>1,268,872</u> | <u>1,246,398</u> |
| Net Assets - Ending | <u>\$ 1,293,564</u> | <u>\$ 1,268,872</u> |

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

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>Restated 2015</u> |
|---|--------------------|--------------------------|
| Cash Flows from Operating Activities | | |
| Receipts from grants | \$ 702,145 | \$ 500,218 |
| Payments of grants | (500,968) | (342,047) |
| Receipts from loan collections | 69,995 | 191,471 |
| Payments for loans | (75,000) | (100,000) |
| Interest income - loans | 10,706 | 20,061 |
| Receipts from providing services | 16,729 | 12,979 |
| Payments of service providers and suppliers | (199,654) | (93,450) |
| Payments for employee services | <u>(62,710)</u> | <u>(67,536)</u> |
| Net cash flows from operating activities | <u>(38,757)</u> | <u>121,696</u> |
| Cash Flows from Investing Activities | | |
| Interest income - bank | <u>3,561</u> | <u>178</u> |
| Net cash flows from investing activities | <u>3,561</u> | <u>178</u> |
| Net Change in Cash and Cash Equivalents | (35,196) | 121,874 |
| Cash and Cash Equivalents - Beginning | <u>897,916</u> | <u>776,042</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 862,720</u> | <u>\$ 897,916</u> |
| Cash and Cash Equivalents - Unrestricted | \$ 289,243 | \$ 335,027 |
| Cash and Cash Equivalents - Restricted | <u>573,477</u> | <u>562,889</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 862,720</u> | <u>\$ 897,916</u> |
| Reconciliation of Change in Net Position to Net Cash Flows from Operating Activities | | |
| Operating income (loss) | \$ 21,131 | \$ 22,296 |
| Adjustments | | |
| Bad debt expense | - | 6,621 |
| Changes in assets and liabilities | | |
| Accounts receivable | (8,698) | - |
| Loans receivable | (5,005) | 91,471 |
| Grants receivable | (43,000) | - |
| Accounts payable | (4,103) | 1,308 |
| Other current liabilities | <u>918</u> | <u>-</u> |
| Net cash flow from operating activities | <u>\$ (38,757)</u> | <u>\$ 121,696</u> |

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

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Organization

Nature of Organization - The Livingston County Local Development Corporation (the Corporation) is a non-profit local development corporation, created in 1987 by the Livingston County Board of Supervisors and a special act of the New York State Legislature to facilitate economic development in the County. The Corporation was organized under the Public Authorities Law of the State of New York.

The Corporation's mission is to relieve and reduce unemployment, to promote and provide for additional employment, to maintain job opportunities and to better said job opportunities, to instruct and train individuals to improve or to develop their capabilities for jobs, to carry on scientific research for the purpose of adding to the County by attracting business and industry to the area, or by encouraging the development of, or retention of business in the area and to lessen the burden of government and to act in the public interest.

Basis of Accounting - The Corporation prepares its financial statements on the accrual basis of accounting.

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

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classes are established in accordance with their nature and purpose, in observation of any third party limitations or restrictions placed on the use of these resources. Any donor-restricted contribution whose restrictions are met in the same reporting period or any gifts of long-lived assets are reported as unrestricted support. The Corporation has the following classifications of net assets:

Unrestricted Net Assets - Unrestricted net assets represent net assets that are not subject to donor imposed stipulations and are generally available for support of the Corporation's activities. The Board of Directors has discretionary control over these resources to carry out the operations of the Corporation in accordance with its by-laws.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of an amount held in a separate bank account to be used to fund future loans to local business owners.

Cash and Cash Equivalents - For the purposes of the statements of financial position and statements of cash flows, cash and cash equivalents include deposits with original maturities of three months or less. The Corporation maintains cash and cash equivalents which periodically may exceed federally insured limits.

Accounts Receivable - Accounts receivable consist of Village Program commitment fee revenues outstanding at year end and are stated at the amount management expects to collect. Based on an assessment of the history with organizations having outstanding balances and current relationships with them, management has concluded that realization losses, if any, on balances outstanding at year end will be immaterial to the financial statements.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Notes to Financial Statements

Allowance for Uncollectible Loans - The allowance for uncollectible loans consists of the provision for loan losses charged to operations based upon management's evaluation of the loan portfolio considering such factors as historical loan experience, review of specific loans, current economic conditions and such other factors as management considers appropriate to estimate loan losses. Loan losses and the recovery of loans previously charged off are charged or credited to the allowance as incurred or realized, respectively. The allowance for uncollectible loans at both December 31, 2016 and 2015 was \$12,656.

Deferred Revenue - Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Corporation before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Corporation has legal claim to the resources, the revenue is recognized.

Related Party - The Corporation is related through common management and Board of Directors membership with the Livingston County Industrial Development Agency (IDA) and the Livingston County Capital Resource Corporation (CRC), which also promotes economic development in the County. In 2016 and 2015, the IDA contributed \$68,000 and \$50,000, respectively, to the Corporation, which is shown as grant income in the accompanying statement of activities.

Income Taxes - The Corporation is a not-for-profit corporation and is exempt from income tax under IRC 501(c)(4) and New York State Article 14 as a local development corporation. Accordingly, no provision for taxes has been made.

In accordance with ASC 740-10-50, *Accounting for Uncertainty in Income Taxes*, the Corporation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Corporation is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Corporation's financial statements.

Advertising - The Corporation expenses all advertising costs as they are incurred. Advertising expense amounted to \$27,753 and \$9,610 for the years ended December 31, 2016 and 2015, respectively.

Subsequent Events - Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

Note 2. Deposits and Investments

Cash and Investments - The Corporation's investment policies are governed by State statutes. In addition, the Corporation has its own written investment policy. Corporation monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Corporation's Director is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

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

Restricted Cash and Cash Equivalents - The Corporation provides low interest loans to businesses located in Livingston County in order to encourage economic development. Certain assets related to the loan fund are classified as restricted assets because their use is limited to this purpose.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Notes to Financial Statements

Investment and Deposit Policy - 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; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Corporation's Director.

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

Credit Risk - The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with a value equal to 100% of the aggregate amount of deposits. The Corporation restricts the securities to the following eligible items:

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

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-----------------------------|----------------------------|-------------------------|
| Demand and savings deposits | \$ 289,243 | \$ 910,373 |
| Covered by FDIC insurance | | \$ 586,176 |
| Pledged collateral | | 324,197 |
| Total deposits | | <u>\$ 910,373</u> |
| Total unrestricted deposits | | <u>\$ 363,176</u> |
| Total restricted deposits | | <u>\$ 547,197</u> |

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Notes to Financial Statements

Note 3. Loans Receivable

The Corporation provides low interest loans to businesses located in Livingston County in order to encourage economic development. Loans receivable consisted of the following at December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Receivable from C&J Transport, monthly payments of \$1,060, including interest at 5.00%. Loan was established October 2016 and due November 2023. | \$ 74,441 | \$ - |
| Receivable from Coast Professional, Inc., monthly payments of \$2,414, including interest at 3%. Loan was established May 2009 and due July 2019, with a balloon payment of the outstanding principal and accrued interest due at maturity. | 85,643 | 111,617 |
| Deferred loan receivable from Coast Professional, Inc., with the principal balance and all accrued interest to be forgiven at such time the loan above is paid in full with no default. | 241,772 | 241,772 |
| Receivable from Ell-N-Wood Flowers & Gardens, Inc., monthly payments of \$531 including interest at 5.00%. Established August 2006 and due September 2016. Payments continue and management considers the balance collectible as of December 31, 2016. | 20,655 | 26,353 |
| Receivable from Harmony Station, Inc., monthly payments of \$1,415, including interest of 5.00%. Established February 2013 and due May 2018. | 23,353 | 38,749 |
| Receivable from Onlinegunsales, Corp., monthly payments of \$1,067, including interest of 5.00%. Established March 2015 and due April 2020, with a balloon payment of the outstanding principal and accrued interest due at maturity. | 89,752 | 94,754 |
| Receivable from Rich's Power Equipment, monthly payments of \$944, including interest of 5.00%. Established October 2009 and due January 2015. A restated promissory note was agreed upon in 2015. Terms include monthly payments varying from \$250 - \$500. Restated promissory note was established in April 2015 and is due November 2019. | 15,000 | 17,180 |
| Receivable from Twisted Stitches, Inc., monthly payments of \$472, including interest of 5.00%. Established January 2014 and due February 2019. | 10,918 | 16,200 |
| Receivable from William Schuster Agency, LLC, monthly payments of \$801, including interest of 5.00%. Established May 2009 and due September 2016. Payments continue and management considers the balance collectible as of December 31, 2016. | 347 | 6,468 |

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
Notes to Financial Statements

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Receivable from William Schuster Agency, LLC, monthly payments of \$707, including interest of 5.00%. Established October 2013 and due November 2020. | <u>32,613</u> | <u>36,396</u> |
| Total loans receivable | 594,494 | 589,489 |
| Less, allowance for uncollectible loans | <u>(12,656)</u> | <u>(12,656)</u> |
| Loans receivable - net | 581,838 | 576,833 |
| Less, current portion | <u>(95,034)</u> | <u>(91,009)</u> |
| Loans receivable - non-current portion | <u>\$ 486,804</u> | <u>\$ 485,824</u> |

All notes receivable are collateralized by assets of the respective companies.

Note 4. Deferred Revenue

The Corporation's microenterprise loan program received funds from Livingston County in the amount of \$330,000 in the first quarter of 2001. The funds will be used to fund various approved loans. The unused balance of the funds are listed as deferred revenue on the statement of financial position.

Note 5. Related Party Transactions

The Corporation receives some of its equipment and office space resources from Livingston County. The Corporation makes no payments to the County for these services, and the value of the services has not been reflected in the assets, liabilities, revenues or expenses of the Corporation for the years ended December 31, 2016 and 2015.

Note 6. Restatement

The Corporation restated the grant income to correct an error in previous year amounts. The effect of the restatement is to decrease grant income and the change in net assets for the year ended December 31, 2015 by \$15,000.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Livingston County Development Corporation
Geneseo, New York

We have audited, 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, the financial statements of the Livingston County Development Corporation, (a non-profit local development corporation), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Livingston County Development Corporation's basic financial statements and have issued our report thereon dated March 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Livingston County Development 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 Livingston County Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livingston County Development 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston County Development 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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 23, 2017