

**LIVINGSTON COUNTY
DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit
of the County of Livingston, New York)**

**Financial Statements
as of December 31, 2018
Together with
Independent Auditor's Report**

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

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INDEPENDENT AUDITOR'S REPORT

March 1, 2019

To the Board of Directors of
Livingston County Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Livingston County Development Corporation (the Corporation), a New York Public Benefit Corporation and a discretely presented component unit of the County of Livingston, New York, as of and for the year ended December 31, 2018, 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 audit. We conducted our audit 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 the Corporation, as of December 31, 2018, and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Totals

We have previously audited the Corporation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2019, 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.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018

The following Management's Discussion and Analysis (MD&A) of Livingston County Development Corporation's (the Corporation) financial statements provides an overview of the Corporation's financial activities for the year ended December 31, 2018. The MD&A should be read in conjunction with the Corporation's financial statements and related notes, which follow the MD&A.

The purpose of the Corporation is to provide financial assistance to small job creating businesses that demonstrate a need for financing which cannot be met entirely from conventional financing sources.

FINANCIAL HIGHLIGHTS

The Livingston County Development Corporation ("LCDC") experienced a significant increase in the volume of grant administration for 2018. The Corporation had activity with two (2) New York Main Street grants, having closed-out the award for the Caledonia and Livonia while undertaking the new award for Avon and Leicester. CDBG activity included the close-outs of WNY Cheese (York), Brew IN Livingston (County-wide) and Rising Storm Brewing Company (Livonia) while further award of funding was made to Bristol ID (Lima). An Empire State Development close-out was completed for the feasibility study of a Public Market.

The ongoing administration of the LCDC Sign & Façade Program awarded 18 projects in 7 Villages for a total of \$47,234 in assistance, further leveraging \$81,557 in private funding for a total project cost of \$128,791.

Five (5) loans in the amount of were made from the Corporation's loan fund in the amount of \$376,000, with another \$194,000 from the GAIN loan fund for a total of \$570,000 in overall loan activity. Three (3) loans were paid-off in 2018, ending the year with 17 active loans in the portfolio.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position provides information about the nature and amounts of resources (assets) and the obligations to the Corporations' creditors (liabilities). The difference between the assets and liabilities is reported as net position.

NOTES TO THE FINANCIAL STATEMENTS

The financial statements also include the notes to the financial statements, which explain certain information in the financial statements. They are essential to a full understanding of the information provided in the financial statements

THE CORPORATION

The analysis below summarizes the statements of net position (Table 1) and change in net position (Table 2) of the Corporation as of and for the years ended December 31, 2018 and 2017.

Table 1 - Statement of Net Position

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$ 1,058,438	\$ 890,559
Non-current assets	<u>849,672</u>	<u>860,414</u>
Total assets	<u>1,908,110</u>	<u>1,750,973</u>
Liabilities:		
Accounts payable	47,009	-
Other liabilities	<u>5,166</u>	<u>1,435</u>
Total liabilities	<u>52,175</u>	<u>1,435</u>
Net position:		
Restricted	374,206	483,349
Unrestricted	<u>1,481,729</u>	<u>1,266,189</u>
Total net position	<u>1,855,935</u>	<u>1,749,538</u>
Total liabilities and net position	<u>\$ 1,908,110</u>	<u>\$ 1,750,973</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 54.6% between 2018 and 2017 due to the fact that the Corporation funded 7 new loans in 2018. This resulted in a significant increase in loans receivable under non-current assets as well.

THE CORPORATION (Continued)**Table 2 - Statement of Revenues, Expenses, and Change in Net Position**

	<u>2018</u>	<u>2017</u>
REVENUES:		
Grant income	\$ 1,185,411	\$ 674,391
Grant income - GAIN	50,100	248,000
Livingston county support	120,000	120,000
Village support	40,000	28,000
Interest income - loans	25,431	18,523
Administrative income	<u>22,587</u>	<u>16,334</u>
 Total revenues	 <u>1,443,529</u>	 <u>1,105,248</u>
EXPENSES:		
Grant expense	1,109,811	651,269
Professional fees	112,616	81,633
Payroll expense	70,683	64,440
General expenses	44,327	58,993
Bad debt expense	<u>-</u>	<u>20,185</u>
 Total expenses	 <u>1,337,437</u>	 <u>876,520</u>
 Operating income	 106,092	 228,728
 Non-operating revenue	 <u>305</u>	 <u>1,175</u>
 Change in net position	 106,397	 229,903
 Net position - beginning of year	 <u>1,749,538</u>	 <u>1,519,635</u>
 Net position - end of year	 <u>\$ 1,855,935</u>	 <u>\$ 1,749,538</u>

THE CORPORATION (Continued)

Financial Analysis of the Corporation's Financial Position and Results of Operations

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 funding for other non-county entities that further small business growth and entrepreneurship.

Factors Bearing on the Future of the Corporation

Livingston County Development Corporation has entered into an agreement with the County of Livingston to provide services to prospective and start-up businesses, existing operating businesses, or businesses seeking to operate within the County of Livingston. This includes in-depth business assessments, entrepreneurship education and training, business plan development, market development and technical assistance comprised in the areas of financing, accounting, merchandising, advertising, and promotion and business management.

The Corporation actively seeks funding opportunities through a wide array of sources, including both State and Federal options. It is the intent that activity will continue in this way as a means of funding new and innovative programs designed to carry out our mission.

REQUEST FOR INFORMATION

This financial report is designed to provide the Corporation's Board of Directors and Audit Committee with a general overview of the Corporation's finances and to demonstrate the Corporations' accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Phil Brooks, Chairman
Gary Moore, Vice Chairman
Livingston County Development Corporation
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Geneseo, New York, 14454
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LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents - unrestricted	\$ 81,726	\$ 180,001
Cash and equivalents - restricted	374,206	483,349
Prepaid expenses	4,111	4,051
Grants receivable	46,000	71,931
Current portion of loans receivable - net	<u>552,395</u>	<u>151,227</u>
Total current assets	<u>1,058,438</u>	<u>890,559</u>
NON-CURRENT ASSETS:		
Loans receivable - net of allowance and current portion	<u>849,672</u>	<u>860,414</u>
Total non-current assets	<u>849,672</u>	<u>860,414</u>
Total assets	<u>1,908,110</u>	<u>1,750,973</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	47,009	-
Other liabilities	<u>5,166</u>	<u>1,435</u>
Total current liabilities	<u>52,175</u>	<u>1,435</u>
NET POSITION:		
Restricted - loans	374,206	483,349
Unrestricted	<u>1,481,729</u>	<u>1,266,189</u>
Total net position	<u>1,855,935</u>	<u>1,749,538</u>
Total liabilities and net position	<u>\$ 1,908,110</u>	<u>\$ 1,750,973</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
REVENUES:		
Grant income - economic development	\$ 1,185,411	\$ 674,391
Grant income - GAIN	50,100	248,000
Livingston County support	120,000	120,000
Village support	40,000	28,000
Interest income	25,431	18,523
Administrative income	<u>22,587</u>	<u>16,334</u>
Total revenues	<u>1,443,529</u>	<u>1,105,248</u>
OPERATING EXPENSES:		
Grant expense	1,109,811	651,269
Consulting fees	105,481	74,963
Payroll expense	70,683	64,440
Advertising and marketing	28,279	40,159
Accounting and audit fees	6,000	3,600
Conferences and seminars	4,588	7,929
Other expenses	3,846	-
Memberships	3,751	3,266
Travel expense	2,758	1,840
Legal and professional fees	1,135	3,070
Insurance expense	433	430
Office expense and supplies	366	4,068
Website development	306	901
Bad debt expense	-	20,185
Registration and filing fees	<u>-</u>	<u>400</u>
Total operating expenses	<u>1,337,437</u>	<u>876,520</u>
Operating income	<u>106,092</u>	<u>228,728</u>
Non-operating revenue		
Interest income - bank	<u>305</u>	<u>1,175</u>
Total non-operating revenue	<u>305</u>	<u>1,175</u>
CHANGE IN NET POSITION	106,397	229,903
NET POSITION - beginning of year	<u>1,749,538</u>	<u>1,519,635</u>
NET POSITION - end of year	<u>\$ 1,855,935</u>	<u>\$ 1,749,538</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from grants	\$ 1,421,442	\$ 1,074,455
Payments of grants	(1,062,802)	(651,269)
Receipts from loan collections	179,574	94,112
Issuance of loans	(570,000)	(544,100)
Interest income - loans	25,431	18,523
Receipts from providing services	22,587	16,334
Payments to service providers and suppliers	(153,212)	(140,109)
Payments for employee services	<u>(70,743)</u>	<u>(68,491)</u>
Net cash flow from operating activities	<u>(207,723)</u>	<u>(200,545)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest income - bank	<u>305</u>	<u>1,175</u>
Net cash flow from investing activities	<u>305</u>	<u>1,175</u>
NET CHANGE IN CASH AND EQUIVALENTS	(207,418)	(199,370)
CASH AND EQUIVALENTS - beginning of year	<u>663,350</u>	<u>862,720</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 455,932</u>	<u>\$ 663,350</u>
CASH AND EQUIVALENTS - unrestricted	81,726	180,001
CASH AND EQUIVALENTS - restricted	<u>374,206</u>	<u>483,349</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 455,932</u>	<u>\$ 663,350</u>
RECONCILIATION OF CHANGE IN NET POSITION TO		
NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 106,092	\$ 228,728
Adjustments to reconcile operating income to net cash flow from operating activities -		
Bad debt	-	20,185
Changes in assets and liabilities		
Prepaid expenses	(60)	(4,051)
Loans receivable	(390,426)	(449,988)
Grants receivable	25,931	4,064
Accounts payable	47,009	-
Other current liabilities	<u>3,731</u>	<u>517</u>
Net cash flow from operating activities	<u>\$ (207,723)</u>	<u>\$ (200,545)</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(With Comparative Totals for 2017)

1. THE CORPORATION

The Livingston County Development Corporation (the Corporation) is a not-for-profit local development corporation created in 1987 by the Livingston County (the 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 Laws of the State of New York.

The Corporation is a discretely presented component unit of the County.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Basis of Presentation

GASB requires net position be reported in three classifications 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 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. At December 31, 2018 and 2017, the Corporation had no net investment in capital assets.
- 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, 2018 and 2017, the Corporation had restricted net position related to loans.
- Unrestricted net position - This component of net position consists of net position that does 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Uncollectible Loans

Loans receivable are carried at unpaid principal balances. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation reviews outstanding loans receivable for uncollectibility and records an allowance for uncollectible accounts based on that review. 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 was \$12,660 and \$32,841 at December 31, 2018 and 2017, respectively.

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.

Income Taxes

The Corporation is a New York not-for-profit corporation qualified under Section 501(c)(6) of the Internal Revenue Code. The Corporation is exempt from Federal reporting requirements under Internal Revenue Service (IRS) Revenue Procedure 95-48, 1992 C.B.418 as a governmental unit or affiliate of a governmental unit as described in the procedure.

Advertising

The Corporation expenses all advertising costs as they are incurred.

Cash and Equivalents

Cash and equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of twelve months or less. The Corporation maintains its cash and equivalents in bank accounts. Interest and dividend income from cash and equivalents is reported in non-operating revenue in the statements of revenues, expenses, and change in net position.

Grants Receivable

Grants receivable consists of grant revenues earned but not collected at year-end and is stated at the amount management expects to collect.

Revenue Recognition

Village support represents income related to the Downtown Partnership and is recognized at the beginning of the contract period. Grant income is recognized when the grant expenditures have been incurred. The Corporation defines non-operating income as interest earned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgements and claims are recorded when it is probably that an asset has been impaired, or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Policies

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the funds of the Corporation and funds under the control of the Corporation; to provide sufficient liquidity of invested funds in order to meet obligations as they become due; and to earn the maximum yield possible given the objectives previously listed. Oversight of investment activity is the responsibility of the Executive Director. The Corporation's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State. Permissible investments include special time deposit accounts, certificates of deposit and obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal government, or of New York State or in general obligations of the State's political subdivisions.

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.

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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

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.

At December 31, 2018 and 2017, 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:

	2018		2017	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash and equivalents	<u>\$ 455,932</u>	<u>\$ 459,932</u>	<u>\$ 663,350</u>	<u>\$ 668,227</u>
Covered by FDIC Insurance		\$ 335,726		\$ 434,861
Pledged collateral		<u>126,692</u>		<u>238,046</u>
Total deposits		<u>\$ 462,418</u>		<u>\$ 672,907</u>

4. LOANS RECEIVABLE

The following is a summary of the Corporation's balance of outstanding loans receivable at December 31, 2018 and 2017:

Borrower	Date of Issue	Maturity Date	Original Loan	Rate of Interest	Balance at 12/31/18	Balance at 12/31/17
Ell-N-Wood Flowers & Gardens, Inc.	Jun-11	Nov-19	\$ 44,391	5.00%	\$ -	\$ 20,181
Harmony Station, Inc.	Feb-13	May-18	\$ 75,000	5.00%	-	7,169
Twisted Stitches	Jan-14	Feb-19	\$ 25,000	5.00%	-	5,367
Coast Professionals, Inc.	May-09	Aug-19	\$ 250,000	3.00%	31,299	58,878
Coast Professionals, Inc.	May-09	Apr-19	\$ 270,000	3.00%	241,772	241,772
Rich's Power Equipment	Oct-09	Dec-19	\$ 50,000	5.00%	8,833	12,303
Onlinegunsales, Corp.	Mar-15	Apr-20	\$ 100,000	5.00%	75,724	81,748
William Schuster Agency LLC	Oct-13	Nov-20	\$ 50,000	5.00%	-	24,946
C&J Transport	Oct-16	Nov-23	\$ 75,000	5.00%	54,498	65,136
Wendy's Pantry	Apr-17	May-22	\$ 50,000	5.00%	40,286	48,317
Paul Didas	Jun-17	Oct-22	\$ 44,100	1.00%	33,112	41,942
Mortalis Brewing Company	Nov-17	Mar-23	\$ 100,000	1.00%	90,223	100,000
OSB Ciderworks	May-17	Jun-24	\$ 100,000	1.00%	79,306	94,246
Evening Star Coffee Roasters	May-17	Jul-24	\$ 75,000	3.25%	65,112	72,212
Dublin Corners	Jun-17	Jul-24	\$ 60,000	1.00%	48,680	56,545
CB's Bar & Grill	May-17	Sep-24	\$ 40,000	5.00%	34,212	38,720
Battle Street Brewery	Aug-17	Mar-25	\$ 75,000	1.00%	69,249	75,000
Rising Storm Brewing	Jan-18	Jan-25	\$ 144,000	1.00%	132,819	-
Rising Storm Brewing	Jan-18	Jan-25	\$ 56,000	1.00%	51,775	-
Geek Chic Floral Boutique (Anna Prouty)	Aug-18	Aug-23	\$ 20,000	5.00%	19,196	-
Avon Inn	Nov-18	Mar-19	\$ 100,000	5.00%	100,000	-
Coffee Cup, Inc. (Dansville Brewing Co)	Jul-18	Jun-23	\$ 100,000	4.50%	96,298	-
Coffee Cup, Inc. (Dansville Brewing Co)	May-18	May-23	\$ 50,000	1.00%	45,262	-
Shrier Martin Process Equipment, Inc.	Nov-18	Nov-23	\$ 100,000	5.25%	97,071	-
					<u>1,414,727</u>	<u>1,044,482</u>
					<u>(12,660)</u>	<u>(32,841)</u>
					<u>1,402,067</u>	<u>1,011,641</u>
					<u>(552,395)</u>	<u>(151,227)</u>
					<u>\$ 849,672</u>	<u>\$ 860,414</u>

4. LOANS RECEIVABLE (Continued)

The following represents the loan receivable activity for 2018 and 2017:

Loans Receivable <u>12/31/2017</u>	Loan Issuances	Loan Repayments	Loan Write-Off	Loans Receivable <u>12/31/2018</u>
<u>\$ 1,044,482</u>	<u>\$ 570,000</u>	<u>\$ (179,574)</u>	<u>\$ (20,181)</u>	<u>\$ 1,414,727</u>

Loans Receivable <u>12/31/2016</u>	Loan Issuances	Loan Repayments	Loans Receivable <u>12/31/2017</u>
<u>\$ 594,494</u>	<u>\$ 544,100</u>	<u>\$ (94,112)</u>	<u>\$ 1,044,482</u>

Principal Repayment Schedule	2019	2020	2021	2022	2023	2024-2026	Total
Coast Professionals, Inc.	\$ 31,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,299
Coast Professionals, Inc.	241,772	-	-	-	-	-	241,772
Rich's Power Equipment	8,833	-	-	-	-	-	8,833
Onlinegunsales, Corp.	9,495	66,229	-	-	-	-	75,724
C&J Transport	10,172	10,693	11,240	11,815	10,578	-	54,498
Wendy's Pantry	10,222	10,746	11,295	8,023	-	-	40,286
Paul Didas	8,746	8,834	8,923	6,609	-	-	33,112
Mortalis Brewing Company	19,750	19,948	20,148	20,351	10,026	-	90,223
OSB Ciderworks	14,070	14,212	14,354	14,499	14,644	7,527	79,306
Evening Star Coffee Roasters	6,193	6,979	7,209	7,447	7,693	29,591	65,112
Dublin Corners	8,442	8,527	8,613	8,699	8,787	5,612	48,680
CB's Bar & Grill	5,211	5,477	5,757	6,052	6,362	5,353	34,212
Battle Street Brewery	10,474	10,579	10,685	10,793	10,901	15,817	69,249
Rising Storm Brewing	20,076	20,278	20,481	20,688	20,895	30,401	132,819
Rising Storm Brewing	7,808	7,886	7,965	8,045	8,126	11,945	51,775
Geek Chic Floral Boutique (Anna Prouty)	3,656	3,843	4,040	4,247	3,410	-	19,196
Avon Inn	100,000	-	-	-	-	-	100,000
Coffee Cup, Inc. (Dansville Brewing Co)	8,286	8,667	9,065	9,482	60,798	-	96,298
Coffee Cup, Inc. (Dansville Brewing Co)	9,850	9,949	10,049	10,150	5,264	-	45,262
Shrier Martin Process Equipment, Inc.	18,040	19,010	20,033	21,110	18,878	-	97,071
Total	<u>\$ 552,395</u>	<u>\$ 231,857</u>	<u>\$ 171,878</u>	<u>\$ 170,032</u>	<u>\$ 188,385</u>	<u>\$ 106,246</u>	<u>\$ 1,414,727</u>

5. RELATED PARTIES

The Corporation receives some of its equipment and office space resources from the 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 year ended December 31, 2018 and 2017.

The Corporation received \$120,000 from the County during 2018 and 2017 to facilitate the creation and growth of small business within the County communities in which they are located.

In 2018, the Corporation received \$50,000 as a contribution to be used for economic development purposes from the IDA. This amount is recorded as grant income in the accompanying statement of revenues, expenses, and change in net position.

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 1, 2019

To the Board of Directors of
Livingston County Development Corporation:

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 Livingston County Development Corporation (the Corporation), a New York Public Benefit Corporation and a discretely presented component unit of the County of Livingston, New York, as of and for the year ended December 31, 2018, 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 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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(Continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 1, 2019

To the Board of Directors of
Livingston County Development Corporation:

Report on Compliance for Each Major Federal Program

We have audited the Livingston County Development Corporation's (the Corporation's), a New York Public Benefit Corporation and a discretely presented component unit of the County of Livingston, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended December 31, 2018. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2018.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance

Management of the Corporation, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Livingston County:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	\$ 669,259
Passed through Town of Lima:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	N/A	<u>303,335</u>
Total U.S. Department of Housing and Urban Development			<u>972,594</u>
Total Expenditures of Federal Awards			<u>\$ 972,594</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Livingston County Development Corporation (the Corporation) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position or the respective changes in financial position of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the Corporation's general ledger. The Corporation did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH PROGRAMS

Where the Corporation receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the Corporation's financial management system. The Corporation has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards, as available.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

5. MATCHING COSTS

Matching costs, i.e., the Corporation's and State's share of certain program costs, are not included in the reported expenditures.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Livingston, New York)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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? ___ Yes X No

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

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes X No

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

Type of auditor's report issued on compliance for major program Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? ___ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ___ Yes X No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONS COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.