AUDITED FINANCIAL STATEMENTS

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

DECEMBER 31, 2011 AND 2010

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FISCAL OFFICER REGARDING ANNUAL FINANCIAL REPORT

Pursuant to subdivision 3 of Section 2800 of the Public Authorities Law, each of the undersigned, being the duly appointed chief executive officer and chief fiscal officer of The Livingston County Development Corporation, does hereby certify as follows:

1. the financial information provided within the Annual Report of the Corporation, dated as of March 30th, 2012, is accurate, correct, and does not contain any untrue statement of material fact;

2. the Annual Report does not omit any material fact which, if omitted, would cause the report to be misleading in light of the circumstances under which the report and any such statements made therein are made; and

3. the Annual Report fairly presents in all material respects the financial condition and results of operations of the Corporation as of, and for, the periods presents in said report.

IN WITNESS WHREOF, the undersigned chief executive officer and chief fiscal officer have executed this Certificate as of the 30th day of March, 2012.

Patrick Rountree

Patrick Rountree
Title: Chief Executive Officer

Terrence Donegan

Terrence Donegan
Title: Chief Financial Officer

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

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FreedMaxick™ CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business type activities of the Livingston County Development Corporation, (the LCDC), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the LCDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LCDC's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LCDC as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012 on our consideration of the LCDC's internal control over financial reporting, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Freed Maxick CPAs, P.C.

(Formerly known as Freed Maxick & Battaglia, CPAs, PC)
Batavia, New York
March 20, 2012

FreedMaxick CPAs, P.C.

Management's Discussion and Analysis
Livingston County Development Corporation
Fiscal Year ended December 31, 2011

This section of Livingston County Development Corporation's (the LCDC) annual financial report presents its discussion and analysis of the LCDC's financial performance during the fiscal year ended December 31, 2011. Please read it in conjunction with the LCDC's financial statements, which immediately follow this section.

Financial Highlights

The Livingston County Development Corporation's (LCDCs) activities and financial conditions in 2011 did not fundamentally change from 2010.

The LCDC did not operate its Business Ownership Training Course in 2011 as it transitioned toward offering a new replacement program, the Kauffman Foundation's *Fast Trac* curriculum in 2012. This is confirmed in the financial statements as a sharp drop in classroom instruction expenses and a sharp increase in the conferences and meetings expense for instructor training and Kauffman licensing costs to offer the Fast Trac program.

Other than the agreement with the Kauffmann Foundation, the LCDC did not enter into any new contracts, discontinue any activities or undertake new functions.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Livingston County Development Corporation's Annual Financial Report

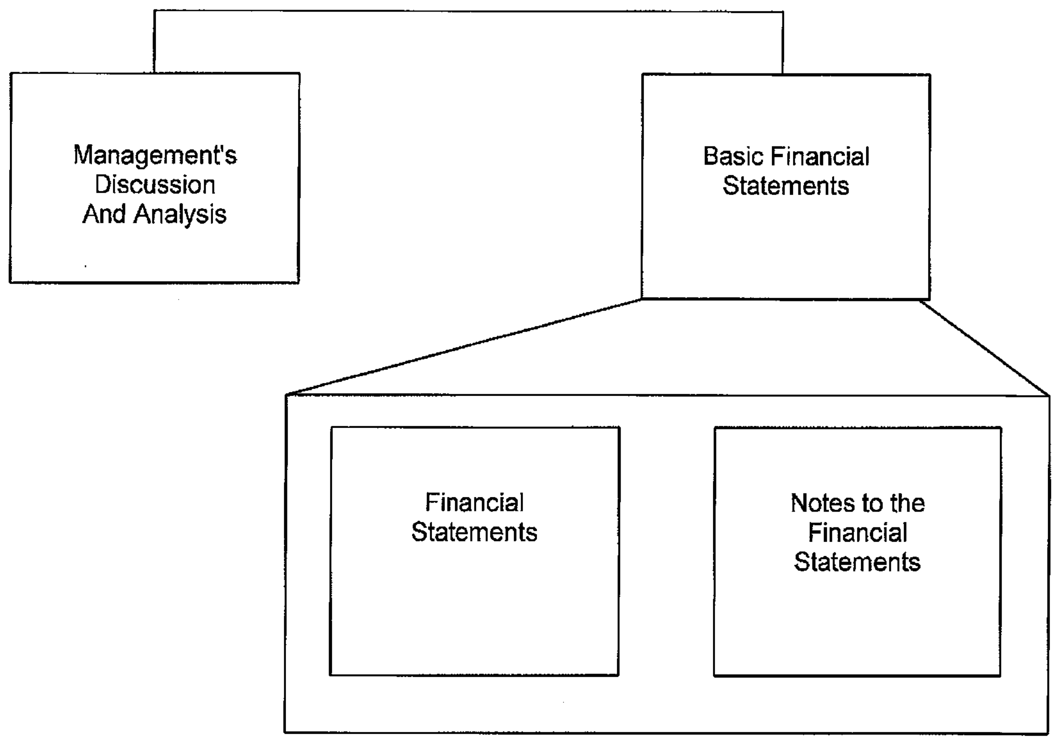


Figure A-2 summarizes the major features of the LCDC's financial statements, including the portion of the LCDC's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 ***Major Features of the Basic Financial Statements***	
Scope	All Activities of the LCDC
Required financial statements	• Statements of Net Assets • Statements of Revenues, Expenses and Changes in Net Assets • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/out-flow information	All revenues and expenses during year, regardless of when cash is received or paid

Financial Analysis of the LCDC as a Whole

The Livingston County Development Corporation (LCDC) is the lead agency among Livingston County's three economic development corporations for small business growth and 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.

Total operating income for 2011 increased slightly (3%) over 2010. Administrative fees nearly tripled but this was revenue largely earned in 2010 and recognized this year. Operating expenses, excluding past through grants, was up 34%. The "Villages" program made its first grant awards in 2011 totaling $62,400. Also, the LCDC nearly doubled its expenditures for its Holiday "Buy Local" campaign. The LCDC entered into a $20,000 contract with the Livingston County Chamber of Commerce to carry out this program. We also recorded a bad debt loss of $20,535 to write off the Corporation first loan in nearly ten years. These increased expenditures resulted in an operating loss of $ 152,562.

The Livingston County Industrial Development Agency (LCIDA), another economic development entity of Livingston County that specializes in large company financing, recorded a substantial surplus in 2011. At year end, the LCIDA made a $200,000 grant to the LCDC which is recorded as a non-operating revenue. With this revenue, the LCDC finished with a substantial increase in cash and continued growth in net assets.

Financial Statements

There are two financial statements from which financial highlights are discussed in this report:

- Statements of Net Assets (*Figure A-3*)
- Statements of Revenues, Expenses and Changes in Net Assets (*Figure A-4*)

The Statements of Net Assets provides information about the nature and amounts of resources (assets) and the obligations to the LCDC's creditors (liabilities). The difference between the assets and liabilities is reported as net assets.

Figure A-3

Statements of Net Assets
(in thousands of dollars)

	2011		2010	
Current and other assets	$	879	$	725
Loans receivable - long term		710		762
Total assets	$	1,589	$	1,487
Deferred revenue	$	202	$	202
Other liabilities		28		3
Total liabilities		230		205
Unrestricted		1,359		1,282
Total net assets		1,359		1,282
Total liabilities and and net assets	$	1,589	$	1,487

Figure A-4

Statements of Revenues, Expenses and Changes in Net Assets

(In thousands of dollars)

	2011	2010
Operating Revenues:		
Grant income	$ 308	$ 307
Matching funds	19	19
Tenant rent subsidies	-	13
Classroom instruction	-	4
Administrative fees	42	15
Total operating revenues	369	358
Operating expenses:		
Bad Debt	21	-
Classroom instruction fees	-	12
Grants	264	77
Programs expenses	48	19
Other program and administrative expenses	67	47
Rent subsidies	-	6
Village program	62	-
Wages and benefits	59	62
Total operating expenses	521	223
Operating income (loss)	(153)	135
Non-operating revenue:		
Transfer from LCIDA	200	-
Interest income	30	28
Tolal non-operating revenue	230	28
Increase in net assets	77	163
Net assets-beginning of year	1,282	1,119
Net assets-end of year	$ 1,359	$ 1,282

Governmental activities. Governmental activities increased the LCDC's net assets by 77,191. The principal element for this increase was the $200,000 non-operating grant from the Livingston County Industrial Development Agency.

Figure A-5

Sources for Revenues for Governmental Activities
Fiscal Year 2011

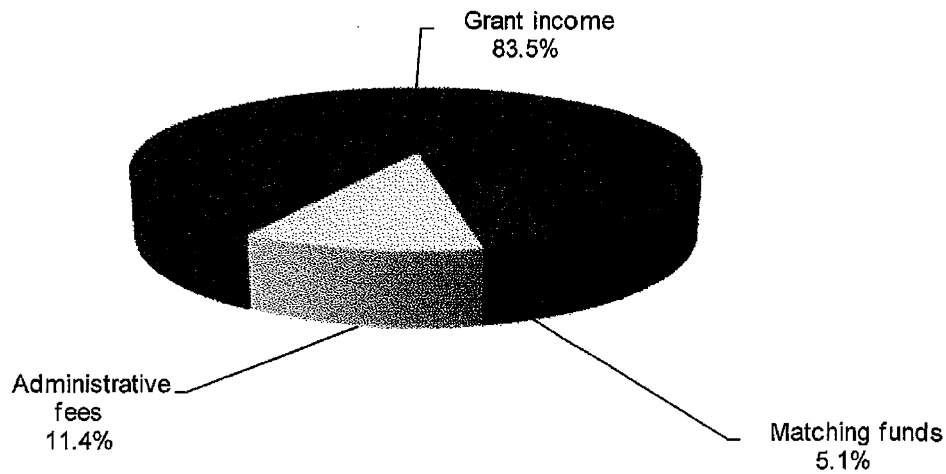


Figure A-5

Sources for Revenues for Governmental Activities
Fiscal Year 2010

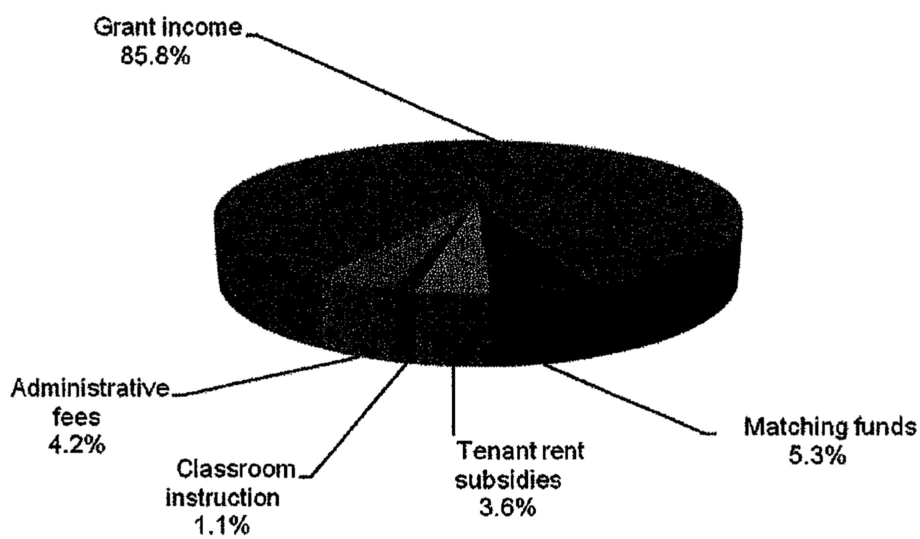


Figure A-6

Expenses for Governmental Activities
Fiscal Year 2011

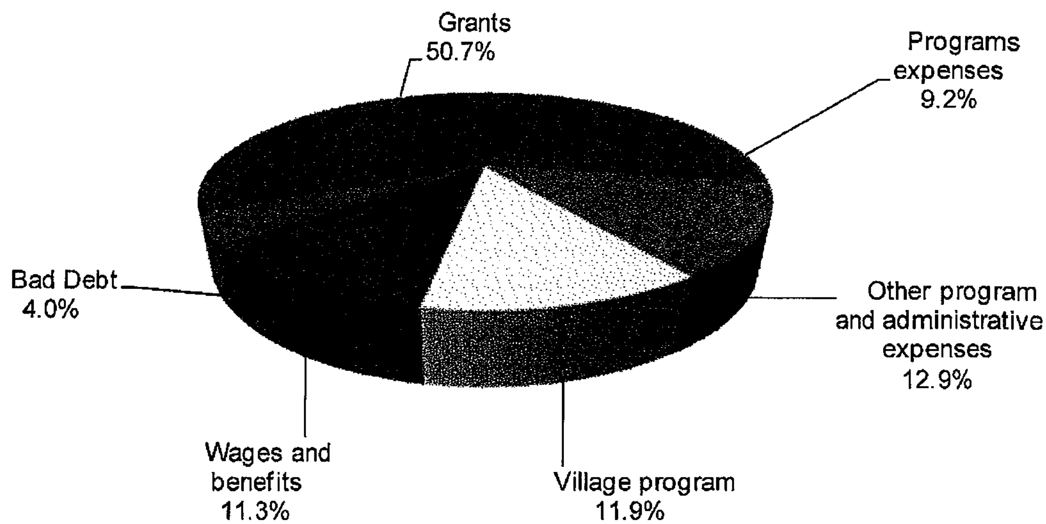
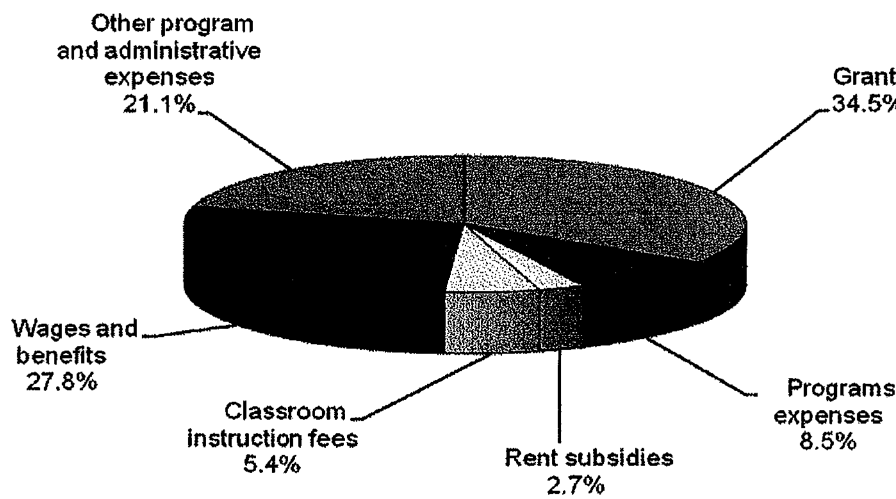


Figure A-6

Expenses for Governmental Activities
Fiscal Year 2010



Factors Bearing on the LCDC's Future

In March 2012, the Corporation awarded $61,000 in Sign and Façade matching grants. The funds are paid by the Corporation on a reimbursement basis. The Corporation has made modifications to its "Villages" program in 2012 which is expected to sharply reduce the number and amount of Sign and Façade grants awarded in March 2013. Villages are currently being requested to budget continued support to the LCDC for participation in the 2012-2013 "Villages" program and three new Villages are being invited to participate. These activities could have an impact on expected revenues to the "Villages" program this year.

The County of Livingston has appropriated $40,000 for continuation of the Buy Local program. Discussion has been initiated among the County, the LCDC and the Livingston County Area Chamber of Commerce regarding Chamber assumption of the Buy Local program. These discussions could result in the LCDC not realizing these budgeted revenues.

Contacting the LCDC's Financial Management

This financial report is designed to provide the LCDC's Board of Directors and Audit Committee with a general overview of the LCDC's finances and to demonstrate the LCDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bill Bacon, Vice Chairman, Livingston County Development Corporation.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

STATEMENTS OF NET ASSETS

December 31,

ASSETS	2011	2010
Current assets:		
Cash	$ 794,634	$ 428,479
Loans receivable (net of allowance for uncollectible loans of $20,535)	84,070	96,605
Due from other governments	-	200,000
Total current assets	878,704	725,084
Long-term assets:		
Loans receivable	710,695	762,008
Total assets	$ 1,589,399	$ 1,487,092
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,412	$ 3,296
Deferred revenue - Livingston County	201,774	201,774
Total current liabilities	230,186	205,070
Net assets:		
Unrestricted	1,359,213	1,282,022
Total net assets	1,359,213	1,282,022
Total liabilities and net assets	$ 1,589,399	$ 1,487,092

See accompanying notes.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31,

	2011	2010
Operating revenues:		
Grant income:		
Economic development	**307,740**	285,734
ARRA grant	**-**	21,430
Matching funds	**18,750**	18,750
Tenant rent subsidies	**-**	12,767
Classroom instruction	**-**	4,400
Administrative fees	**42,141**	14,607
Other miscellaneous income	**241**	-
Total operating revenues	**368,872**	357,688
Operating expenses:		
Advertising and marketing	**26,903**	13,391
Audit fees	**4,945**	3,550
Bad debt expense	**20,535**	-
Classroom instruction fees	**400**	12,000
Conferences and meetings	**18,504**	1,343
Dues and memberships	**250**	350
Grant administration	**29**	8,607
Grants	**263,748**	77,125
Insurance	**-**	622
Legal fees	**6,947**	11,188
Loan servicing fees	**1,585**	1,580
Miscellaneous	**-**	80
Office expense	**6,554**	5,003
Program expenses	**47,605**	17,482
Registrations, filings and fees	**315**	1,462
Rent subsidies	**-**	6,074
Travel	**1,338**	868
Village Program	**62,400**	-
Wages and benefits	**59,158**	61,708
Website development	**218**	-
Total operating expenses	**521,434**	222,433
Operating income (loss)	**(152,562)**	135,255

See accompanying notes.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31,
(Continued)

	2011	2010
Non-operating revenue:		
Transfer from the Livingston County IDA	200,000	-
Interest income	29,753	27,500
Non-operating revenue	229,753	27,500
Change in net assets	77,191	162,755
Net assets - beginning of period	1,282,022	1,119,267
Net assets - end of period	$ 1,359,213	$ 1,282,022

See accompanying notes.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2011	2010
Cash flows from operating activities:		
Receipts from grants	$ 526,490	$ 263,681
Collections of loans	83,313	22,775
Issuance of loans	(40,000)	-
Receipts from providing services	42,382	19,007
Payments of grants	(263,748)	(202,125)
Payments of service providers and suppliers	(152,837)	(86,521)
Payments for employee services	(59,198)	(59,871)
Net cash provided (used) by operating activities	136,402	(43,054)
Cash flows from investing activities:		
Interest income	29,753	27,500
Net cash provided by investing activities	29,753	27,500
Cash flows from financing activities:		
Transfer from the Livingston County IDA	200,000	-
Net cash provided by financing activities	200,000	-
Increase (decrease) in cash	366,155	(15,554)
Cash - beginning of year	428,479	444,033
Cash - end of year	$ 794,634	$ 428,479
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	$ (152,562)	$ 135,255
Adjustment to reconcile income from operations to net cash provided (used) by operating activities:		
Bad debt expense	20,535	-
Change in assets and liabilities:		
Decrease (increase) in:		
Loans receivable	43,313	22,775
Due from other governments	200,000	(75,000)
Increase (decrease) in:		
Accounts payable and accrued liabilities	25,116	(1,084)
Grant payable	-	(125,000)
Net cash provided (used) by operating activities	$ 136,402	$ (43,054)

See accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Livingston County Development Corporation (the LCDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the LCDC's accounting policies are described below.

Reporting Entity: The Livingston County Development Corp. (the LCDC) is a public benefit 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 LCDC was organized under the Public Authorities Law of the State of New York.

Basis of Presentation: The LCDC's basic financial statements consist of three statements that provide information about the LCDC's activities. The first statement is the statement of net assets which lists all of the LCDC's assets and liabilities, with the difference reported as net assets.

The second statement is the statement of revenues, expenses and changes in net assets which details how the LCDC's net assets changed during the current year based on the reporting of the revenues and expenses recognized by the LCDC. The third statement is the statement of cash flows which reports the activities that provide or use the cash and cash equivalents of the LCDC.

Measurement Focus And Basis Of Accounting: The financial statements of the LCDC are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the LCDC gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the LCDC has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

Income Taxes: The LCDC is exempt from federal income tax under Internal Revenue Code Section 501(A) and the income realized will not be subject to New York state corporate franchise tax.

Deferred Revenue: The LCDC reports deferred revenue on its balance sheet. 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 LCDC 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 LCDC has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Statement of Cash Flows: For the purposes of the statement of cash flows the LCDC considers cash to be all unrestricted and restricted cash accounts including demand accounts.

Use of Estimates In Preparation Of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Unit: Management has evaluated the provisions of Government Accounting Standards Board Statement No. 61 - *The Financial Reporting Entity* and has determined they are not a component unit of Livingston County Industrial Development Agency.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after March 20, 2012 which is the date these financial statements were available to be issued.

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

Cash and Investments: The LCDC's investment policies are governed by State statutes. In addition, the LCDC has its own written investment policy. LCDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The LCDC'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.

Investment and Deposit Policy: The LCDC implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures.*

The LCDC 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 LCDC'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 LCDC'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 LCDC'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 LCDC'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.

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

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 LCDC's investment and deposit policy, all deposits of the LCDC 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 an aggregate value equal to 100% of the aggregate amount of deposits. The LCDC 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.

Due from Other Governments: Major grants accrued by the LCDC consisted of the following at December 31:

	2011	2010
Grant receivable from Livingston County	$ -	$ 100,000
Grant receivable from Livingston County IDA	-	100,000
Total due from other governments	$ -	$ 200,000

Loans Receivable - The LCDC 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,

		2011	2010
Body and Face by Kristen	Monthly installments of principal and interest of $283 over five years commencing 7/10/07. Annual interest rate of 5.0%.	**$ 2,494**	$ 5,680
Coast Professional, Inc.	Monthly installments of principal and interest of $2,414 over ten years commencing 5/15/09. Annual interest rate of 3.0%, with a balloon payment of the outstanding principal and accrued interest due at maturity.	**209,656**	231,932
Coast Professional, Inc.	Deferred loan receivable 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

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

		2011	2010
Dansville Dance Academy	Monthly installments of principal and interest of $531 over five years commencing 10/3/06, with a balloon payment of the outstanding principal and accrued interest due at maturity. Annual interest rate of 5.0%.	**28,118**	32,153
Dylry Holdings, Inc.	Monthly installments of principal and interest of $633 over eight years, commencing 3/31/09. Annual interest rate of 5%.	**45,235**	45,235
Ell-N-Wood Flowers & Gardens, Inc.	Monthly installments of principal and interest of $531 over five years commencing 12/9/06. Annual interest rate of 5.0%.	**44,999**	44,999
Expressions	Monthly installment of principal and interest of $633 over eight years commencing 3/21/06. Annual interest rate of 5.0%.	**15,562**	22,196
Germack Financial	Monthly installments of principal and interest of $395 over seven years commencing 11/9/05. Annual interest rate of 8.0%.	**36,943**	38,795
Higley Flow, LLC	Monthly installments of principal and interest of $849 over five years commencing 12/05/08. Annual interest rate of 5.0%.	**22,696**	30,410
Innovative Panelized Systems, Inc.	Monthly installments of principal and interest of $472 over five years commencing 11/9/06. Annual interest rate of 5%.	**-**	5,511
MiMi's Hair Salon	Monthly installments of principal and interest of $566 over five years commencing 4/29/08. Annual interest rate of 5.0%.	**20,535**	21,715

NOTE 2. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

		2011	2010
Mt. Morris Dance Center	Monthly installments of principal and interest of $284 over five years commencing 3/23/11. Annual interest rate of 5.0%.	12,900	-
Questa Lasagna, Inc.	Monthly installments of principal and interest of $944 over five years commencing 3/12/10. Annual interest rate of 5.0%.	36,005	44,706
Rainy Days Cafe and Bakery, LLC	Monthly installments of principal and interest of $566 over five years and three months commencing 11/01/10. Annual interest rate of 5.0%.	25,446	30,000
Rich's Power Equipment	Monthly installments of principal and interest of $944 over five years commencing 10/30/09. Annual interest rate of 5.0%.	32,364	41,737
William Schuster Agency, LLC	Monthly installments of principal and interest of $566 over five years, commencing 5/27/09. Annual interest rate of 5.0%. LCDC approved increasing this loan by $25,000 in 2011 and revised the loan terms. Monthly installments of principal and interest of $801 over five years, commencing 8/23/11. Annual interest rate continues at 5.0%.	40,575	21,772
Total loans receivable		815,300	858,613
Less: allowance for uncollectible loans		20,535	-
Loans receivable, net		794,765	858,613
Less: current maturities		84,070	96,605
Loans receivable - long-term		$ 710,695	$ 762,008

The LCDC's policy is to present loans receivable net of an allowance for doubtful accounts. At December 31, 2011, the allowance for doubtful accounts was $20,535. At December 31, 2010, there was no allowance for doubtful accounts.

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

FreedMaxick CPAs, P.C.

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*

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

We have audited the financial statements of the Livingston County Development Corporation (the LCDC) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 20, 2012. 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.

Internal Control Over Financial Reporting
Management of the LCDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the LCDC's internal control over financial reporting as a basis for designing our auditing procedures 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 LCDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LCDC's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency. A significant deficiency is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LCDC's financial statements are free of 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.*

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies and the Board of Directors of the LCDC and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Batavia, New York
March 20, 2012

FreedMaxick CPAs, P.C.

NOTE 3. DEFERRED REVENUE

The LCDC'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 a liability on the statements of net assets. The deferred revenue balance was $201,774 at December 31, 2011 and 2010, respectively.

NOTE 4. RELATED PARTY TRANSACTIONS

The LCDC receives some of its equipment and office space resources from Livingston County. The LCDC 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 LCDC for the years ended December 31, 2011 and 2010.

NOTE 5. FUTURE GASB PRONOUNCEMENTS

During the year ended December 31, 2011, no new accounting pronouncements were adopted.

The GASB has issued the following new statements:

- Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-employers Plans, which will be effective for the year ending December 31, 2012;
- Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which will be effective for the year ending December 31, 2012;
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which will be effective for the year ending December 31, 2012; and
- Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which will be effective for the year ending December 31, 2012.

The LCDC is currently studying these statements and plans on adopting these statements as deemed necessary.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

FINANCIAL STATEMENT FINDING

11-1 Financial Accounting and Reporting

Criteria: An auditor cannot be part of the LCDC's internal control. Accordingly, we believe management's need for our assistance results in a significant deficiency in the LCDC's internal control over financial reporting.

Condition: Among other critical data, management of the LCDC prepares timely informative monthly financial and comparative statistics for use by the Board and others within the LCDC. As part of its responsibility, management proactively communicates with us to ensure its internal financial statements are in accordance with the appropriate New York State regulatory accounting and budget laws, and that new or unusual transactions have been addressed. However, management requests that we draft the annual audited financial statements and footnote disclosures. As part of this process, we identify and recommend various accrual audit adjustments required to ensure the financial statements are fairly stated in conformity with generally accepted accounting principles.

Context: Experience with the LCDC and the personnel responsible for maintaining the accounting records has demonstrated a lack of experience necessary to be able to prepare the financial statements of the LCDC in accordance with Generally Accepted Accounting Principles.

Effect: Management requests that we draft the financial statement footnote disclosures.

Cause: Lack of training sufficient to become knowledgeable in preparation of financial statements and Generally Accepted Accounting Principles.

Recommendation: While a significant deficiency of this nature is typical of organizations of your size and structure, we recommend management consider additional training to ensure that they completely understand the accounting and reporting requirements of generally accepted accounting principles

Management Response: The Audit and Finance Committee feels the Board and management have a sufficient understanding of the preparation and interpretation of periodic and annual financial statements to enable it to perform its duties of fiscal management of the LCDC. We do find merit however in the independent auditors concerns and we have sought advice and counsel from the independent auditor with the drafting of the financial statements and footnote disclosures. As a remedy to this concern, we will seek counsel, as the LCDC deems necessary and appropriate, from a qualified CPA firm not associated with the independent auditors, to address our concerns.

LIVINGSTON COUNTY DEVELOPMENT CORPORATION

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

FINANCIAL STATEMENT FINDING

10-1 Depositing of Funds

Criteria: Checks should be recorded and deposited on a timely basis into the LCDC's bank accounts.

Condition: The LCDC should be depositing funds on a timely basis to maintain complete records and provide accurate financial reports to the Board.

Context: During our audit, we noted that there were checks from November and December 2010, that were not recorded or deposited as of the beginning of January 2011.

Effect: By not depositing checks in a timely basis, the LCDC will forfeit the opportunity to earn interest on those funds, but more importantly, may permanently misplace these checks, which could result in management overlooking the availability of these funds.

Cause: Lack of procedures related to the oversight of timely depositing of funds.

Status: There was no reoccurrence of this finding in the current year.

FreedMaxick CPAs, P.C.

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of the
Livingston County Development Corporation

We have examined Livingston County Development Corporation's (the LCDC) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the year ended December 31, 2011. Management is responsible for the LCDC's compliance with those requirements. Our responsibility is to express an opinion on the LCDC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the LCDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the LCDC's compliance with specified requirements.

In our opinion, the LCDC complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011, except as discussed in the following paragraph.

Under the provisions of Public Authorities Law, the LCDC is required to review and adopt their investment policy on an annual basis. The LCDC failed to review and adopt their investment policy during the fiscal year ended December 31, 2011.

This report is intended solely for the information and use of the Board of Directors, management and others within the LCDC and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Batavia, New York
March 20, 2012