

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

**Financial Statements as of
December 31, 2009 and 2008
Together with
Independent Auditors' Report**

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

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INDEPENDENT AUDITORS' REPORT

March 29, 2010

To the Board of Directors of the
Livingston County Industrial Development Agency:

We have audited the accompanying financial statements of the business-type activities of the Livingston County Industrial Development Agency (the Agency), 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, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Agency as of December 31, 2008, were audited by other auditors, whose report dated March 20, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 business-type activities of the Agency as of December 31, 2009, and the changes in its net assets and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010, on our consideration of the Agency'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 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.

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INDEPENDENT AUDITORS' REPORT

(Continued)

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

The following Management's Discussion and Analysis (MD&A) of the Livingston County Industrial Development Agency's (the Agency) financial position provides an overview of the Agency's financial activities for the years ended December 31, 2009 and 2008. The MD&A should be read in conjunction with the Agency's financial statements and related notes, which follow the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statement of net assets and the statement of revenue, expenses, and change in net assets report information about the Agency as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Agency's net assets and changes in them from one year to the next. The Agency's net assets, the difference between assets and liabilities, are one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Agency's fee income and the fluctuation of the Agency's expenses, to assess the overall health of the Agency.

Additionally, the statement of cash flows provides information about the Agency's cash receipts, cash disbursements, and net changes in cash resulting from operating, financing and investing activities.

NOTES TO FINANCIAL STATEMENTS

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

THE AGENCY

The analysis below summarizes the statements of net assets (Table 1) and changes in net assets (Table 2) of The Agency as of and for the years ended December 31:

Table 1 - Statements of Net Assets (000s omitted)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current assets	\$ 117	\$ 134	\$ 107
Capital assets, net of accumulated depreciation	33	37	41
Other non-current assets	<u>1,410</u>	<u>1,410</u>	<u>1,410</u>
Total assets	<u>1,560</u>	<u>1,581</u>	<u>1,558</u>
Liabilities:			
Accounts payable	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>3</u>	<u>-</u>	<u>-</u>
Net assets:			
Invested in capital assets	\$ 33	\$ 37	\$ 41
Unrestricted	<u>1,524</u>	<u>1,544</u>	<u>1,517</u>
Total net assets	<u>\$ 1,557</u>	<u>\$ 1,581</u>	<u>\$ 1,558</u>

Current assets decreased in 2009 and are now 12% below 2008 and 40% over 2007 results. Our non-current asset in the form of land held for development or sale remains unchanged over the two year as no land transactions have transpired. Investment in capital assets has remained low due to a 36% drop in administrative fee (project) income from 2008. Fee income was essentially unchanged between 2007 and 2008.

THE AGENCY (Continued)

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

Table 2 - Changes in Net Assets (000s omitted)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:			
Grant income	\$ 20	\$ 36	\$ 563
Administrative income	36	58	50
Other	<u>1</u>	<u>2</u>	<u>4</u>
Total revenues	<u>57</u>	<u>96</u>	<u>617</u>
Expenses:			
Regrants	20	36	563
Professional fees	29	23	22
Depreciation	4	4	5
General expenses	<u>40</u>	<u>16</u>	<u>14</u>
Total expenses	<u>93</u>	<u>79</u>	<u>604</u>
Operating income (loss)	(36)	17	13
Non-operating revenue	<u>12</u>	<u>6</u>	<u>2</u>
Changes in net assets	(24)	23	15
Net assets - beginning of year	<u>1,581</u>	<u>1,558</u>	<u>1,543</u>
Net assets - end of year	<u>\$ 1,557</u>	<u>\$ 1,581</u>	<u>\$ 1,558</u>

FINANCIAL ANALYSIS OF THE AGENCY'S FINANCIAL POSITION AND RESULTS OF OPERATION

Total operating revenue in 2009 decreased for the third straight year, as there was minimal project activity and no governmental pass-through grant revenue. The Agency did receive a \$19,649 grant from National Grid which was passed through to Coast Professional as a cost offset for new electrical service to the site. Operating expenses, excluding the pass-through of the National Grid grant and a one-time only regional marketing expense of \$25,000, were only \$48,586 in 2009, a small increase from \$42,715, also excluding the regrants, in 2008.

Total operating revenue in 2008 decreased by \$519,158 as sharply reduced pass-through grant revenue declined by \$527,384 from 2007. Excluding pass-through grants income and regrants expenses, operating income was \$17,273 for 2008, a small increase from \$13,464 in 2007. Operating expenses, excluding pass-through grants, however, were only \$42,715 in 2008, a small increase from \$40,211 in 2007.

THE AGENCY'S BUDGETARY HIGHLIGHTS

The Agency's revenues fluctuate greatly from year to year due to our nearly complete reliance upon project financing and regrant activity. Financing, in the form of sale/leaseback transactions and the issuance of tax-exempt industrial revenue bonds, cannot be predicted with any degree of certainty, as both transactions are dependent upon eligible third party investment in land, buildings and fixed asset capital investment. Consequently a historical analysis of our actual results shows large surpluses in some years and small deficits in other years.

The Agency operates with few fixed expenses and little overhead. Variable expenditures are principally related to our level of activity. In years of surplus, most proceeds are placed into our capital project account to undertake further investments in our three industrial parks. By recognition of the highly variable nature of our revenues, the Agency minimizes fixed and recurring expenditures and budgets a low level of support services in legal and engineering.

We believe these are sound practices that are reflected in the Agency's strong net worth and liquidity both this year and historically.

CURRENTLY KNOWN FACTS, DECISIONS & CONDITIONS

The national economic downturn that started in 2008, continued through 2009. Additionally the authority for industrial development agencies to finance tax-exempt transactions that expired June 30, 2008 shows no sign of renewal for the foreseeable future. Together these factors have had, and are expected to continue to have, an impact on the number of Industrial Development Agency transactions.

The 2009-2010 State budget authorized the collection of a "Cost Recovery Fee" from IDA's amounting to 4.7% of the Agency's 2008 gross revenue. This unknown fee was not budgeted by this or any other industrial development agency in the State as the State Department of Taxation and Finance did not meet a November 1, 2009 deadline to calculate and assess the fee. Consequently invoices were sent to IDA's in February 2010. The fee for the Livingston County Industrial Development Agency payable March 31, 2010 is \$4,900 and was not accrued at year-end since it was not assessed.

Because the Agency has few fixed costs and overhead, management does not anticipate any significant impact upon the Agency from any of these factors.

FUTURE FACTORS

Currently this Agency is a Petitioner in a legal action, with many other IDA's, to obtain an injunction from implementation of the Cost Recovery Fee. Efforts are underway to seek the repeal of the Cost Recovery Fee. If the fee remains in effect based upon gross revenues, it could have a significant impact upon the Agency.

CONTACTING THE AGENCY'S ADMINISTRATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact Patrick Rountree, Executive Director, Livingston County Industrial Development Agency, 6 Court St. Room 306, Geneseo, New York (telephone 585-243-7124) during normal business hours. All information regarding the Agency's finances projects and polices may also be found on the Agency's web site: www.co.livingston.ny.us/lcida.

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

STATEMENTS OF NET ASSETS
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 83,048	\$ 133,986
Prepaid expenses	956	-
Accounts receivable	<u>32,868</u>	<u>-</u>
Total current assets	116,872	133,986
CAPITAL ASSETS, net	32,973	37,133
OTHER NON-CURRENT ASSETS:		
Land held for development or sale	<u>1,410,494</u>	<u>1,410,494</u>
Total assets	<u>1,560,339</u>	<u>1,581,613</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	<u>\$ 3,438</u>	<u>\$ -</u>
Total current liabilities	<u>3,438</u>	<u>-</u>
NET ASSETS		
NET ASSETS:		
Invested in capital assets	\$ 32,973	\$ 37,133
Unrestricted	<u>1,523,928</u>	<u>1,544,480</u>
Total net assets	<u>\$ 1,556,901</u>	<u>\$ 1,581,613</u>

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES:		
Administrative fees	\$ 35,866	\$ 58,168
Grants (NYS and other)	19,649	36,260
Application fees	1,500	1,000
Miscellaneous	-	820
	<hr/>	<hr/>
Total revenues	57,015	96,248
	<hr/>	<hr/>
EXPENSES:		
Advertising and public relations	25,000	-
Professional fees	22,291	15,954
Regrants	19,649	36,260
Travel and lodging	7,783	9,542
Accounting and audit fees	5,846	5,392
Depreciation	4,160	4,439
Memberships	2,200	1,300
Legal counsel fees	1,635	935
Dues and subscriptions	1,601	78
Special assessment fees	964	954
Selling	825	1,370
Office expense and supplies	823	624
Donations	250	1,250
Reimbursable expenses	208	46
Other	-	831
	<hr/>	<hr/>
Total expenses	93,235	78,975
	<hr/>	<hr/>
Operating income (loss)	(36,220)	17,273
	<hr/>	<hr/>
NONOPERATING REVENUE:		
Interest income	299	1,397
Rental income - land	11,209	4,300
	<hr/>	<hr/>
Total nonoperating revenue	11,508	5,697
	<hr/>	<hr/>
CHANGE IN NET ASSETS	(24,712)	22,970
	<hr/>	<hr/>
NET ASSETS - beginning of year	1,581,613	1,558,643
	<hr/>	<hr/>
NET ASSETS - end of year	\$ 1,556,901	\$ 1,581,613
	<hr/>	<hr/>

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from grants	\$ 19,649	\$ 36,260
Receipts from providing services	4,498	59,168
Payments of regrants	(16,649)	(36,260)
Payments to service providers and suppliers	(69,944)	(38,276)
Miscellaneous income	<u>-</u>	<u>866</u>
Net cash flow from operating activities	<u>(62,446)</u>	<u>21,758</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Rental income - land	11,209	4,300
Interest income	<u>299</u>	<u>1,397</u>
Net cash flow from investing activities	<u>11,508</u>	<u>5,697</u>
CHANGE IN CASH	(50,938)	27,455
CASH - beginning of year	<u>133,986</u>	<u>106,531</u>
CASH - end of year	<u>\$ 83,048</u>	<u>\$ 133,986</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (36,220)	\$ 17,273
Adjustments to reconcile operating income to net cash flow from operating activities -		
Depreciation	4,160	4,439
Changes in:		
Accounts receivable	(32,868)	46
Prepaid expenses	(956)	-
Accounts payable	<u>3,438</u>	<u>-</u>
Net cash flow from operating activities	<u>\$ (62,446)</u>	<u>\$ 21,758</u>

The accompanying notes are an integral part of these statements.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. THE AGENCY

Livingston County Industrial Development Agency (the Agency) was formed on April 3, 1973, pursuant to the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Laws of the State and Chapter 132 of the Laws of 1973 of the State, as amended. The Agency is a chartered public benefit corporation in New York State that has board authority to finance development projects. Its mandate is to actively promote, encourage and develop economically sound commerce and industry through governmental action for the purpose of preventing unemployment and economic deterioration in the County of Livingston, New York (the County). The Agency implements development projects through incentives, conduit financing, and direct sales of "shovel-ready" sites.

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

The assistance granted to businesses by the Agency generally includes the issuance of low interest industrial development revenue bonds and exemptions from real property tax, mortgage recording tax, and sales and use tax. The financing of a project could take the form of a lease-purchase agreement with the business. The Agency would sell its bonds and use the proceeds to acquire or construct the project. Upon completion, the project is leased to the business for a term equal to the term of the bond issued. The business's annual payments under the lease are set at an amount sufficient to meet the debt service on the bond.

The Agency also provides financial assistance through "straight-lease" transactions. In this arrangement, the Agency would take title to the property of the business, thereby entitling the property to the above-mentioned tax exemptions. A portion of the local real property tax exemptions would be recaptured by the taxing agencies since the business would be making payments in lieu of taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Agency'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 for proprietary funds. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The Agency has elected not to follow subsequent private sector guidance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

GASB requires the classification of net assets into three classifications defined as follows:

- Invested in capital assets, net of related debt - This component of net assets 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted net assets - This component of net assets 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, 2009 and 2008, the Agency has no restricted net assets.
- Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "invested in capital assets, net of related debt", or "restricted".

Cash

The Agency's cash consists of demand deposits and certificates of deposit.

Accounts Receivable

Accounts receivable is shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the use of the allowance method for recording bad debts. However, the use of the direct write-off method is not materially different from the results that would be obtained under the allowance method. Amounts for which no payments have been received for several months are considered delinquent and when customary collection efforts are exhausted, the account is written-off.

Capital Assets

Capital assets are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. Assets purchased or acquired with a cost of \$1,000 or greater and a useful life exceeding one year are capitalized. The cost of repairs, maintenance and minor replacements is expensed as incurred, whereas expenditures that materially extend property lives are capitalized. The depreciation methods and estimated useful lives of assets reported in the Agency's financial statements are as follows:

Improvements	15 - 20 years
Signage	15 years
Office equipment	5 years

Land Held for Development or Sale

Land held for development or sale is valued at cost.

Revenue Recognition

Administrative fee income is recognized when the financing for a project closes. Grant income is recognized when the grant expenditures have been incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Party

The Agency is related through common management and Board of Directors membership with the Livingston County Development Corporation, which also promotes economic development in the County of Livingston.

Annually, employees of the County of Livingston provide certain administrative and management services to the Agency. In addition, the County of Livingston provides the use of facilities to the Agency.

Income Taxes

The Agency is a not-for-profit public benefit corporation and is exempt from income taxes under the Internal Revenue Code.

Insurance

The Agency 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. Judgments and claims are recorded when it is probable 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.

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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Policies

The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform 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 Executive Director.

The Agency 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 deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in New York State General Municipal Law, Section 10 and outlined in the New York State Comptroller's Financial Management Guide.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency'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 Agency'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 Agency's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Special time deposits;
- Obligations of the United States of America;
- Obligations where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Certificates of deposit.

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 Agency's investment and deposit policy, all deposits of the Agency including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits and the agreed upon interest; or an "irrevocable letter of credit" issued by a qualified bank with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest; or by an eligible surety bond payable for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest. The Agency restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations issued or fully insured or guaranteed by the State of New York.

At December 31, 2009 and 2008, all of the Agency's deposits were covered by FDIC insurance.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Capital assets:				
Improvements in Mount Morris	\$ 10,260	\$ -	\$ -	\$ 10,260
Improvements in Dansville	2,500	-	-	2,500
Improvements in Avon	37,211	-	-	37,211
Signage	20,226	-	-	20,226
Office equipment	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>8,245</u>
Total capital assets being depreciated	<u>78,442</u>	<u>-</u>	<u>-</u>	<u>78,442</u>
Less accumulated depreciation for:				
Improvements in Mount Morris	(5,173)	(513)	-	(5,686)
Improvements in Dansville	(622)	(167)	-	(789)
Improvements in Avon	(9,431)	(2,480)	-	(11,911)
Signage	(17,838)	(1,000)	-	(18,838)
Office equipment	<u>(8,245)</u>	<u>-</u>	<u>-</u>	<u>(8,245)</u>
Total accumulated depreciation	<u>(41,309)</u>	<u>(4,160)</u>	<u>-</u>	<u>(45,469)</u>
Capital assets, net	<u>\$ 37,133</u>	<u>\$ (4,160)</u>	<u>\$ -</u>	<u>\$ 32,973</u>

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Capital assets being depreciated:				
Improvements in Mount Morris	\$ 10,260	\$ -	\$ -	\$ 10,260
Improvements in Dansville	2,500	-	-	2,500
Improvements in Avon	37,211	-	-	37,211
Signage	20,226	-	-	20,226
Office equipment	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>8,245</u>
Total capital assets being depreciated	<u>78,442</u>	<u>-</u>	<u>-</u>	<u>78,442</u>
Less accumulated depreciation for:				
Improvements in Mount Morris	(4,660)	(513)	-	(5,173)
Improvements in Dansville	(456)	(166)	-	(622)
Improvements in Avon	(6,961)	(2,470)	-	(9,431)
Signage	(16,622)	(1,216)	-	(17,838)
Office equipment	<u>(8,171)</u>	<u>(74)</u>	<u>-</u>	<u>(8,245)</u>
Total accumulated depreciation	<u>(36,870)</u>	<u>(4,439)</u>	<u>-</u>	<u>(41,309)</u>
Capital assets, net	<u>\$ 41,572</u>	<u>\$ (4,440)</u>	<u>\$ -</u>	<u>\$ 37,133</u>

5. LAND HELD FOR DEVELOPMENT OR SALE

Land held for development or sale activity for each of the years ended December 31, 2009 and 2008 was as follows, as no changes to property were made:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
Land held for development or sale:				
Land in Mount Morris	\$ 78,845	\$ -	\$ -	\$ 78,845
Land in Dansville	196,276	-	-	196,276
Land in Avon	<u>1,135,373</u>	<u>-</u>	<u>-</u>	<u>1,135,373</u>
Total land held for development or sale	<u>\$ 1,410,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,410,494</u>

6. GRANT REVENUES

The Agency receives certain State, Federal and other grant money and passes the monies to third parties to fund various projects within the County. The following is a breakout of the grant monies and projects that the Agency received and passed through:

	<u>2009</u>	<u>2008</u>
National Grid ShovelReady Infrastructure	\$ 19,629	\$ -
Livonia, Avon, and Lakeville Railroad	\$ -	\$ 36,260

7. INDUSTRIAL DEVELOPMENT BONDS

The Agency issues tax-exempt or taxable bonds to provide financial assistance to private-sector or non-profit entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the borrowing entity served by the bond issuance. The Agency is not obligated in any manner for repayment of the bonds. Accordingly, neither the related property nor the bonds are reported as liabilities in the accompanying financial statements.

The terms of these transactions generally provide for reductions in property taxes paid by recipients of the financing in return for commitments to provide jobs and other economic benefits for the County of Livingston.

As of December 31, 2009, there were three series of Industrial Development Bonds outstanding with an approximate aggregate amount payable of \$14.6 million. As of December 31, 2008, there were three series of Industrial Development Bonds outstanding with an approximate aggregate amount payable of \$15.4 million. This represents a significant reduction in indebtedness due to the payoff and refinancing of previous bond issues.

8. LEASE - LEASEBACK

In a lease-leaseback transaction, the lessee negotiates the terms and conditions of a financing arrangement with a bank or other commercial lender. The Agency obtains title to, and possession and/or control of the property finances and enters into a lease agreement with the lessee for a term equal to the lesser of the term of the financing or the tax benefit period, which varies based on the abatement program. The rent from the lease approximates debt service payments to the lender and is paid directly by the lessee to the lender. These transactions are not reported in the Agency's financial statements as the lender has no recourse against the Agency for nonpayment.

9. RENTAL OF LAND

The Agency has entered into three lease agreements for the rental of the Agency's land. The agreements expire at various dates during 2012. The total rental income received for the years ended December 31, 2009 and 2008 was approximately \$11,200 and \$4,300, respectively. The future minimum amounts expected from these agreements are:

2010	\$	12,010
2011	\$	12,010
2012	\$	12,010

10. SUBSEQUENT EVENT

In 2010, all IDAs were assessed a fee from the State of New York Department of Taxation and Finance pursuant to Public Authorities Law Section 2975 for administrative services. The Agency was assessed approximately \$4,900. No amounts have been recognized in the financial statements related to this assessment. The Agency is currently in the process of petitioning in an Article 78 proceeding against the assessments of the fee.

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 29, 2010

To the Board of Directors of
Livingston County Industrial Development Agency:

We have audited the financial statements of the business-type activities of Livingston County Industrial Development Agency (the Agency), as of and for the years ended December 31, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States 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

In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a 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 material weaknesses, as defined above.

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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 Agency'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, the Board of Directors, and others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.