
Certified Public Accountants

March 16, 2022

The Board of Directors
Finger Lakes Horizon Economic Development Corporation

We have audited the financial statements of the Finger Lakes Horizon Economic Development Corporation (the "Corporation"), a component unit of the Yates County Industrial Development Agency as of and for the year ended December 31, 2021, and have issued our report thereon dated March 16, 2022 (which report includes an other matters paragraph regarding a restatement of net position). Professional standards require that we advise you of the following matters relating to our audits.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 1, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audits of the financial statements do not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 1 to the financial statements. Except for the matter discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2021.

During the year ending December 31, 2021, the Corporation reevaluated the balances of its notes receivable. As a result, beginning net position as of December 31, 2019 was restated as follows:

Net position, December 31, 2019—as previously stated	\$ 1,600,629
Restatement of loans receivable	<u>59,870</u>
Net position, December 31, 2019—as restated	<u>\$ 1,660,499</u>

During the year ended December 31, 2021, the Corporation implemented Governmental Accounting Standards Board (“GASB”) Statements No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 91, *Conduit Debt Obligations*, No. 92, *Omnibus 2020*; No. 93, *Replacement of Interbank Offered Rates*; No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). GASB Statement No. 97 increases the consistency and comparability related to the reporting of fiduciary units, mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for Internal Revenue Code Section 457 deferred compensation plans. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report. The implementation of GASB Statements No. 89, 91, 92, 93, 97, and 98 did not have a material impact on the Corporation’s financial position or results from operations.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We are not aware of any significant estimates related to the year ended December 31, 2021.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We are not aware of any significant financial statement disclosures during the year ended December 31, 2021.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We encountered no significant unusual transactions throughout our audit.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The proposed adjusting journal entries for the year ended December 31, 2021 were brought to the attention of, and corrected by, management, are attached to the management representation letter dated March 16, 2022 as Exhibit I (copy attached).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. The financial statements of the Corporation for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2021. As part of our audit of the December 31, 2021 financial statements, we also audited the adjustment described in Note 2 that were applied to restate 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 16, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

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This report is intended solely for the information and use of the Corporation's Board of Directors and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Drescher & Malecki LLP

March 16, 2022



March 16, 2022

Drescher & Malecki LLP
3083 William Street, Suite 5
Buffalo, New York 14227

This representation letter is provided in connection with your audits of the basic financial statements of the Finger Lakes Horizon Economic Development Corporation (the "Corporation") as of December 31, 2021 and 2020, and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, of the Corporation in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 16, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 1, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
- The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all required supplemental information and notes to the basic financial statements.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no identified material uncorrected misstatements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All components of net position are properly classified.
- All transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the Corporation is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.

- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (“GASB-62”), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

- With respect to the required supplementary information accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
 - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
 - The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are reasonable and appropriate in the circumstances.

Other Specific Representations

- The Corporation has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 87, *Leases*, effective for the year ending December 31, 2022, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023. The Corporation is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 94, and 96 will have on its financial position and results of operations when such statements are adopted.
- Management agrees with the proposed adjusting journal entries as presented in Exhibit I.
- Management has disclosed whether, subsequent to December 31, 2021, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies or material weaknesses have occurred.
- During the year ending December 31, 2021 the Corporation reevaluated the balances of its notes receivable. As a result, beginning net position of the Corporation as of December 31, 2019 was restated as follows:

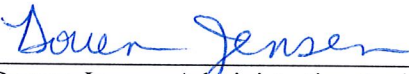
Net position, December 31, 2019—as previously stated	\$ 1,600,629
Restatement of loans receivable	<u>59,870</u>
Net position, December 31, 2019—as restated	<u>\$ 1,660,499</u>

- In addition to audit services, based on information in the Corporation’s trial balance, Drescher & Malecki LLP has assisted the Corporation in preparing the Corporation’s financial statements for the years ended December 31, 2021 and 2020. In conjunction with the preparation of the financial statements, the Corporation has performed the following function:
 - Made all management decisions and performed all management functions;
 - Designated Doreen Jensen, Administrative Assistant/Chief Financial Officer, whom we believe has suitable skill, knowledge and/or experience to oversee this service;
 - Evaluated the adequacy and results of the services performed;
 - Evaluated and accepted responsibility for the results of the services provided; and
 - Established and maintained internal controls, including monitoring ongoing activities.

- The Corporation's management understands that Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of the Corporation. Any nonattest services were performed in accordance with the applicable professional standards issued by the American Institute of Certified Public Accountants.



Stephen Griffin, Chief Executive Officer



Doreen Jensen, Administrative Assistant/Chief Financial Officer

Finger Lakes Horizon Economic Development Center
Proposed Adjusting Journal Entries
Year Ended December 31, 2021

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Proposed adjusting journal entry #1			
To adjust beginning net position to match PY F/S			
H.32000	Retained Earnings	\$ 195,078	\$ -
H.535	OCR Grant	-	195,078
Total		<u>195,078</u>	<u>195,078</u>
Proposed adjusting journal entry #2			
To adjust notes receivable for Parkers Grille activity.			
H.506.10025	LOAN RECEIVABLE:10025 + Parkers (CDBG)	49,607	-
H.506.10025	LOAN RECEIVABLE:10025 + Parkers (CDBG)	59,870	-
H.535	OCR Grant	7,743	-
H.9818	Grant Expense	10,775	-
H.32000	Retained Earnings	-	59,870
H.534	CDBG Grant	-	10,775
H.534	CDBG Grant	-	57,350
Total		<u>127,995</u>	<u>127,995</u>
Proposed adjusting journal entry #3			
For reporting purposes only: to adjust grant revenue and expenses to be shown gross.			
H.9818	Grant Expense	44,788	-
H.530	Main St. Grant	-	44,788
Total		<u>44,788</u>	<u>44,788</u>
Proposed adjusting journal entry #4			
To adjust AP for current year activity.			
H.534	CDBG Grant	5,225	-
H.9822	Accounting	151	-
H.20000	Accounts Payable	-	5,376
Total		<u>31,847</u>	<u>31,847</u>