

March 29, 2013

CONFIDENTIAL

The Board of Directors
Warren County Local Development Corporation

Dear Board Members:

We have completed our audit of the financial statements of Warren County Local Development Corporation (the Corporation) for the year ended December 31, 2012. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comments and recommendations based upon observations made during our audit.

This report is intended solely for the information and use of the Board of Directors, management and others within the Corporation.

Entries Made Directly Into Net Asset Accounts

During our audit we noticed several adjustments were made directly into net asset accounts. These adjustments represented minor adjustments of 2011 loan balances. Any and all minor adjustments of a prior year need to be recorded within the current year in order to maintain the correct net asset balance between years. We recommend that all minor adjustments from a prior year be recorded within the current year's operations. The only adjustment to net assets, other than the year end closing, would be a correction of a material error or a change in accounting method.

HUD Allowed Management Fees Recorded as Revenue

During our audit we noticed that the Corporation was computing a management fee based on the loan principal collected for the year. This amount is then allowed to be transferred from the cash account for HUD loans to the cash account for operations. The Corporation entered this same amount as revenue. This is an internally produced amount and does not generate revenue. We recommend that the Corporation continue to make this computation for the movement of cash between accounts but not record it as revenue.

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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the personnel of Warren County Local Development Corporation during our audit. At your convenience, we would be pleased to discuss the matters contained in this letter or any other matters you deem important.

Very truly yours,

TOSKI & CO., CPAs, P.C.



Ronald C. Toski, CPA
Managing Director