
WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

AUDIT & FINANCE COMMITTEE MEETING AGENDA FOR
March 25, 2019
9:40 a.m.

Committee Members:
Craig Leggett
Matt Simpson
Frank Thomas

-
- | | | |
|----|---|-------------------------------------|
| 1. | Review & Recommendation of Approval of 2018 Audited Financial Statements | Ed Bartholomew/ Jennifer Switzer |
| 3. | Old/New Business | |

**WARREN COUNTY LOCAL
DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Financial Statements and
Supplementary Information
December 31, 2018 and 2017
(With Independent Auditors' Report Thereon)**

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Warren County Local Development Corporation:

We have audited the accompanying financial statements of Warren County Local Development Corporation (the Corporation) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Local Development Corporation as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated , 2019, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Williamsville, New York
, 2019

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Financial Position
December 31, 2018 and 2017

| <u>Assets</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|------------------|
| Current assets: | | |
| Cash and equivalents | \$ 894,321 | 866,982 |
| Accounts receivable | 21,488 | 17,426 |
| Loans receivable - current portion | 165,943 | 143,865 |
| Allowance for doubtful accounts | <u>(182,558)</u> | <u>(182,558)</u> |
| Total current assets | 899,194 | 845,715 |
| Loans receivable, net of current portion | <u>830,334</u> | <u>859,008</u> |
| Total assets | <u>\$ 1,729,528</u> | <u>1,704,723</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities - accounts payable | 8,333 | 12,500 |
| Net assets without donor restrictions | <u>1,721,195</u> | <u>1,692,223</u> |
| Total liabilities and net assets | <u>\$ 1,729,528</u> | <u>1,704,723</u> |

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Activities
Years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|------------------|
| Revenue: | | |
| Interest and late fees on loans | \$ 33,511 | 33,733 |
| Program service fees | 1,806 | 1,765 |
| Warren County support fee | <u>50,000</u> | <u>50,000</u> |
| Total revenue | 85,317 | 85,498 |
| Expenses - supporting services - management and general - administrative | <u>56,345</u> | <u>105,183</u> |
| Change in net assets without donor restrictions | 28,972 | (19,685) |
| Net assets without donor restrictions at beginning of year | <u>1,692,223</u> | <u>1,711,908</u> |
| Net assets without donor restrictions at end of year | <u>\$ 1,721,195</u> | <u>1,692,223</u> |

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Statements of Cash Flows
Years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-----------------|
| Cash flows from operating activities: | | |
| Change in net assets without donor restrictions | \$ 28,972 | (19,685) |
| Adjustments to reconcile net assets without donor restrictions to net cash provided by (used in) operating activities: | | |
| Change in allowances for doubtful accounts | - | 15,058 |
| Changes in: | | |
| Accounts receivable | (4,062) | (8,581) |
| Accounts payable | (4,167) | - |
| Net cash provided by (used in) operating activities | 20,743 | (13,208) |
| Cash flows from investing activities: | | |
| Loans issued | (120,650) | (115,000) |
| Proceeds from loans receivable | 127,246 | 267,126 |
| Net cash provided by investing activities | 6,596 | 152,126 |
| Change in cash and equivalents | 27,339 | 138,918 |
| Cash and equivalents at beginning of year | 866,982 | 728,064 |
| Cash and equivalents at end of year | \$ 894,321 | 866,982 |

See accompanying notes to financial statements.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Warren County Local Development Corporation (the Corporation) was incorporated in 1986 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities for low to moderate income residents of Warren County. This is accomplished through the Corporation's community development and housing programs as follows:

Community Economic Development - Administration and management of small business lending programs, economic development loans, and economic development grant programs that benefit low and moderate income persons. This is accomplished through grants and loans made to qualifying employers.

Housing - Administration and management of grants to eligible homeowners who need funds to make health and safety related repairs to their homes.

Warren County contracts with the Corporation to administer a revolving loan program funded by the repayments of low interest loans issued by the Warren County Community Development Program. The County Board of Supervisors assigned all loans to the Corporation for no consideration. The Corporation is a component unit of Warren County and is included as such in the County's financial statements.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Corporation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations and either expire by passage of time or can be fulfilled by actions of the Corporation. The Corporation had only net assets without donor restrictions in 2018 and 2017.

(d) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and equivalents.

(f) Revenue Recognition

The Corporation's primary sources of revenue are from interest payments received on loans issued by the Corporation through its Micro-Enterprise Loan Program and from grants administered by New York State and the U.S. Department of Housing and Urban Development. Revenue is recognized when earned.

(g) Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual loans. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

(h) Expense Allocation

The costs of providing programs and other activities have been adequately detailed in the statements of activities. Allocation of management and general expenses between program and supporting services is not considered significant to the operations of the Corporation, therefore, no such allocation has been made.

(i) Contributed Services

During the years ended December 31, 2018 and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation.

(j) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(k) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. As a result, no provision for income taxes is reflected in the accompanying financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

(A Component Unit of Warren County)

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity, and a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows done on the direct basis. This guidance is effective for fiscal years beginning after December 15, 2017. These financial statements and notes reflect adoption of this new standard.

(m) Reclassifications

Reclassifications have been made to certain 2017 balances in order to conform them to the 2018 presentation.

(2) Liquidity

The Corporation has approximately \$915,809 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$894,321 of cash - operations and \$21,488 of accounts receivables at December 31, 2018. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2018 statement of financial position.

(3) Concentration of Credit Risk

Financial instruments which potentially expose the Corporation to concentrations of credit risk consist primarily of loans receivable. Management considers the loans, net of allowances, to be fully collectible.

The Corporation had funds on deposit at two banks totaling \$894,321 and \$868,482 at December 31, 2018 and 2017, respectively. These deposits were fully secured by Federal Deposit Insurance Corporation insurance and letters of credit at December 31, 2018.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Notes to Financial Statements, Continued

(4) Fair Value Measurements

A framework has been established for measuring fair value of its loans receivable. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- **Quoted prices for similar assets or liabilities in active markets;**
- **Quoted prices for identical or similar assets or liabilities in inactive markets;**
- **Inputs other than quoted prices that are observable for the asset or liability; and**
- **Inputs that are derived principally from or corroborated by observable market data by correlation or other means.**

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Notes to Financial Statements, Continued

(5) Loans Receivable

The Corporation maintains a loan program. The loans, which are considered to be level 3 assets as described in note 4, have varying interest rates ranging from 3% to 6% and have repayment terms ranging from 3 to 15 years. The loans are collateralized by a priority security interest in any equipment, machinery, furnishings or fixtures refinanced or purchased from loan proceeds. An allowance for doubtful accounts of \$182,558 has been established as of December 31, 2018 and 2017.

The table below sets forth a summary of changes in the fair value of the Corporation's Level 3 assets for the years ended December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|------------------|
| Balance at beginning of year | \$ 1,002,873 | 1,154,999 |
| Add loans issued | 120,650 | 115,000 |
| Less amounts repaid | <u>(127,246)</u> | <u>(267,126)</u> |
| Balance at end of year | 996,277 | 1,002,873 |
| Less current portion | <u>(165,943)</u> | <u>(143,865)</u> |
| Loans receivable, net of current portion | \$ <u>830,334</u> | <u>859,008</u> |

Expected repayments on the loans receivable at December 31, 2018 are as follows:

| | |
|------------|-------------------|
| 2019 | \$ 165,943 |
| 2020 | 115,098 |
| 2021 | 69,629 |
| 2022 | 87,038 |
| 2023 | 57,991 |
| Thereafter | <u>500,578</u> |
| Total | \$ <u>996,277</u> |

(6) Related Party Transactions

An agreement between the Corporation and Warren County requires the County to pay a support fee for services rendered in administrating the development grants of the County. The support fee revenue amounted to \$50,000 for each of the years ended December 31, 2018 and 2017.

The Corporation contracts for administrative and management services with Economic Development Corporation (EDC) Warren County at a cost of \$50,000 per year. These costs are included in expenses - administrative on the statements of activities.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Schedule of Expenditures of Federal Awards
Year ended December 31, 2018

| <u>Federal Grantor/Program Title</u> | <u>Pass Through Grantor's Number</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> | <u>Expenditures to Subrecipients</u> |
|--|--|------------------------------------|---------------------------------|--|
| U.S. Department of Housing and Urban Development - passed through New York State Housing Trust Fund Corporation - Community Development Block Grants State's Program | | | | |
| Beginning revolving loan balance | | | \$ 1,002,873 | - |
| Loans issued | | | <u>120,650</u> | - |
| Total Expenditures of Federal Awards | 1197 | 14.228 | \$ <u>1,123,523</u> | - |

See accompanying notes to schedule of expenditures of federal awards.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
 (A Component Unit of Warren County)
 Notes to Schedule of Expenditures of Federal Awards
 Year ended December 31, 2018

(1) General

The schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Warren County Local Development Corporation. The Corporation's reporting entity is defined in the notes to the financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other government agencies is included in the schedule. At December 31, 2018, the amount reported as federal expenditures represents the amount of loans receivable financed by the Community Development Block Grant Program (CDBG) and usage of program income received in 2018.

(2) Basis of Accounting

The schedule of expenditures of federal awards is presented using the accrual basis of accounting as described in the notes to the financial statements.

(3) Subrecipients

The Corporation did not provide federal awards to any subrecipients.

(4) Loan Programs

The Corporation has included \$1,002,873 in loans funded with CDBG funds in the schedule of expenditures of federal awards.

| | |
|------------------------------|-------------------|
| Loan activity: | |
| Balance at beginning of year | \$ 1,002,873 |
| Additions | 120,650 |
| Reductions | <u>(127,246)</u> |
| Balance at end of year | \$ <u>996,277</u> |

(5) Indirect Costs

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal reports used as the source for the data presented. The Corporation does not use the 10% de minimis selection.

**INDEPENDENT AUDITORS' 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**

The Board of Directors
Warren County Local Development Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Warren County Local Development Corporation (the Corporation) (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated , 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Williamsville, New York
2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Warren County Local Development Corporation:

Report on Compliance for the Major Federal Program

We have audited Warren County Local Development Corporation's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Warren County Local Development Corporation's major federal program for the year ended December 31, 2018. Warren County Local Development Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Williamsville, New York
, 2019

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
 (A Component Unit of Warren County)
 Schedule of Findings and Questioned Costs
 Year ended December 31, 2018

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|----------------------------------|
| Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with generally accepted accounting principles: | Unmodified |
| Internal control over financial reporting: | |
| 1. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 2. Significant deficiency(ies) identified? | ___ Yes <u> x </u> None reported |
| 3. Noncompliance material to financial statements noted? | ___ Yes <u> x </u> No |

Federal Awards:

- | | |
|--|----------------------------------|
| Internal control over major programs: | |
| 4. Material weakness(es) identified? | ___ Yes <u> x </u> No |
| 5. Significant deficiency(ies) identified? | ___ Yes <u> x </u> None reported |
| Type of auditors' report issued on compliance for major program: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? | ___ Yes <u> x </u> No |
| 7. The Corporation's major program audited was Community Development Block Grants/State's Program, CFDA No. 14.228 | |
| 8. Dollar threshold used to distinguish between Type A and Type B programs. | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | <u> x </u> Yes ___ No |

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Warren County)
Status of Prior Year Audit Findings
December 31, 2018

There were no audit findings with regard to the prior year financial statements (December 31, 2017).

REPORT TO THE BOARD

, 2019

The Board of Directors
Warren County Local Development Corporation

Dear Board Members:

We have audited the financial statements of Warren County Local Development Corporation (the Corporation) for the year ended December 31, 2018, and have issued our report thereon dated , 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, Government Auditing Standards and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in note 1 to the financial statements. For the year ended December 31, 2018, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities," as described in note 1(1). ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimate affecting the Corporation's financial statements was the allowance for doubtful accounts regarding loans receivable.

For the year ended December 31, 2018, we evaluated the key factors and assumptions used to develop the provision for uncollectible loans in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of loans receivable in note 5.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of our audit.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the Schedule of Expenditures of Federal Awards accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Recent Accounting Standards Issued

In February 2016, the FASB issued ASU 2016-02 - "Leases (Topic 842)." ASU 2016-02 modifies the current presentation of operating leases. Currently, operating leases are not recorded on the statement of financial position as obligations, rather there is a footnote disclosure that includes the expected future lease payments for operating leases. This update will now require organizations that lease assets to recognize assets and liabilities on their statement of financial position for operating leases with lease terms of more than 12 months. Operating leases will be required to recognize a right-of-use asset and a lease liability, measured at the present value of the lease payment, recognize a single lease cost, generally allocating the lease over a straight-line basis and classify all cash payments within operating activities of cash flows. These changes will require expanded footnote disclosure to enhance the financial statement user's understanding of the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for fiscal years beginning after December 15, 2019.

In June 2018, the Financial Accounting Standards Board released ASU 2018-08 which provides clarification for properly determining if transactions should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This clarification is intended to support a uniform approach for the proper recording of such transactions. For contributions, entities are also required to assess the presence of conditions that must be met as well as the presence of a right of return within the agreement. For most entities, this update will be applicable for reporting periods beginning after December 15, 2018.

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This information is intended solely for the use of the Board of Directors and management of Warren County Local Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

EFPR GROUP, CPAs, PLLC

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