

# Cayuga County Development Corporation

## FY 2018 Audited Financial Statements

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### **Introduction**

The Cayuga County Development Corporation (CCDC) annually conducts an independent financial audit in compliance with the PAAA and PARA. This CCDC Annual Independent Financial Audit, prepared by Bonadio & CO., CPAs from Syracuse, N.Y., looks closely at the finances, internal controls and investments of the CCDC. The financial audit was presented to the CCDC Board of Directors on March 8, 2019 and approved by unanimous vote of the Board.

The FY2018 CCIDA Financial Report is presented here and includes:

- FY2018 Audited Financial Statements
- FY2018 Management Discussion & Analysis (also posted separately on the CCDC webpage)
- FY2018 Assessment and Report on Internal Controls (also posted separately on the CCDC webpage)

**CAYUGA COUNTY DEVELOPMENT CORPORATION**  
**(A Blended Component Unit of the**  
**County of Cayuga, New York)**

**Financial Statements as of**  
**December 31, 2018 and 2017**  
**Together with**  
**Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

**CAYUGA COUNTY DEVELOPMENT CORPORATION**  
**(A Blended Component Unit of the County of Cayuga, New York)**

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**INDEPENDENT AUDITOR'S REPORT**

March 21, 2019

To the Board of Directors of  
Cayuga County Development Corporation

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Cayuga County Development Corporation (the Corporation), a blended component unit of the County of Cayuga, New York, as of and for the years ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

***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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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.

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## INDEPENDENT AUDITOR'S REPORT

(Continued)

### **Opinion**

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

### **Emphasis of Matter - Prior Period Financial Statements**

The financial statements of the Corporation as of December 31, 2017 were audited by other auditors, whose report dated February 2, 2018, expressed an unmodified opinion on those statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 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, and 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 the 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* in considering the Corporation's internal control over financial reporting and compliance.

*Bonadio & Co., LLP*

# **CAYUGA COUNTY DEVELOPMENT CORPORATION (A Blended Component Unit of the County of Cayuga, New York)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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This section of the Cayuga County Development Corporation (the Corporation), annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2018 and 2017. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

### **GENERAL INFORMATION**

The Cayuga County Development Corporation is registered under nonprofit corporation law. The purposes for which the Corporation operates are exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, to relieve and reduce unemployment, promote and provide for additional and maximum employment, better and maintain job opportunities, and lessen the burden of government and act in the public interest.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of two parts: this section, the Management's Discussion and Analysis (MD&A) and the basic financial statements. The Corporation is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activity statements offer short-term and long-term financial information about the activities and operations of the Corporation. This annual report consists of the financial statements and notes to those statements. The Statements of Net Position, Statements of Revenue, Expenses and Change in Net Position, the Statements of Cash Flows and related notes provide a detailed look at the specific financial activities of the Corporation and generally provide an indication of the Company's financial health. The Statements of Net Position include all of the Corporation's assets and liabilities, using the accrual basis of accounting. The Statements of Revenue, Expenses and Change in Net Position report all of the revenues and expenses during the time period indicated. The Statements of Cash Flows report the cash provided and used by operating activities.

### **FINANCIAL HIGHLIGHTS**

- The Corporation's total net position at December 31, 2018 is \$2,444,820 and at December 31, 2017 is \$193,792.
- Total current assets at December 31, 2018 are \$1,769,784 and at December 31, 2017 are \$84,337. In 2018 and 2017 current assets are comprised of cash and the current portion of loan receivable.
- Total current liabilities at December 31, 2018 are \$18,636, which is a 100% increase compared to December 31, 2017 with no current liabilities.
- Operating revenues at December 31, 2017 were \$4,515 as a result of loan interest income and interest income from bank accounts.
- Operating revenues in 2018 consistent of increased interest income due to more activity than the prior year. Also revenues include applications fees of \$70, other income of \$86,232 and \$2,193,898 of grant revenue passed through from Cayuga County.
- Operating expenses at December 31, 2018 were approximately \$40,000, up from \$19,939 at December 31, 2017 as the result of an increase to outside service contract expense, which doubled from prior year and due to the increased funding from Cayuga County.

## FINANCIAL ANALYSIS OF THE CORPORATION

Below is an analysis of the assets, liabilities, revenues and expenses of the Corporation.

### Summary of Assets, Liabilities, and Net Position

	<u>2018</u>	<u>2017</u>
Assets	<u>\$ 2,463,456</u>	<u>\$ 193,792</u>
Liabilities	<u>18,636</u>	<u>-</u>
Total Net position - unrestricted: Unrestricted	<u>\$ 2,444,820</u>	<u>\$ 193,792</u>

### CURRENT ASSETS

Current assets at December 31, 2018 and 2017 were comprised of cash and loan receivable.

### CURRENT LIABILITIES

Current liabilities at December 31, 2018 are \$18,636 due to 800 in legal fees paid after year end and 17,836 in amounts due to a 3<sup>rd</sup> party vendor as part of a loan receivable.

## FINANCIAL ANALYSIS OF THE CORPORATION (Continued)

### Summary of Revenues, Expenses, and Change in Net Position

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Application fees	\$ 70	\$ -
Loan interest income	7,379	4,500
Interest income	3,666	15
Grant Revenue	2,193,898	-
Other Income	<u>86,232</u>	<u>-</u>
Total operating revenues	<u>2,291,245</u>	<u>4,515</u>
OPERATING EXPENSES:		
Outside contract services	30,000	15,000
Professional fees	10,142	4,858
Registration fees	<u>75</u>	<u>81</u>
Total operating expenses	<u>40,217</u>	<u>19,939</u>
OPERATING INCOME (LOSS)	<u>2,251,028</u>	<u>(15,424)</u>
CHANGE IN NET POSITION	2,251,028	(15,424)
NET POSITION - beginning of year	<u>193,792</u>	<u>209,216</u>
NET POSITION - end of year	<u>\$ 2,444,820</u>	<u>\$ 193,792</u>

#### OPERATING REVENUES

Operating revenue consists of application fees, loan interest income, interest income, grant revenue, and other income in 2018. In 2017 the Corporation had only loan interest income and interest income.

#### OPERATING EXPENSES

Expenses increased in 2018 due to an outside contract services expense increasing to \$30,000 from \$15,000 in 2017. Cayuga County charged more for outside contract services given the increase in services.

#### OPERATING RESULTS

The Corporation had operating income of \$2,251,028 at December 31, 2018 and an operating loss of \$15,424 at December 31, 2017. The operating income in 2018 was the result of the grant revenue and other income, which did not exist in 2017.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide the reader with a general overview of the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Cayuga County Development Corporation - Cayuga County Planning and Economic Development, Cayuga County Office Bldg., 5<sup>th</sup> Floor, 160 Genesee Street, Auburn, NY 13021.

**CAYUGA COUNTY DEVELOPMENT CORPORATION**  
**(A Blended Component Unit of the County of Cayuga, New York)**

**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 1,648,724	\$ 71,804
Loan receivable - current portion	<u>121,060</u>	<u>12,533</u>
Total current assets	<u>1,769,784</u>	<u>84,337</u>
OTHER ASSETS:		
Loan receivable - net of current portion	<u>693,672</u>	<u>109,455</u>
Total assets	<u>2,463,456</u>	<u>193,792</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable	<u>18,636</u>	<u>-</u>
Total current liabilities	<u>18,636</u>	<u>-</u>
Total liabilities	<u>18,636</u>	<u>-</u>
<b>NET POSITION</b>		
Unrestricted	<u>2,444,820</u>	<u>193,792</u>
Total net position	<u>\$ 2,444,820</u>	<u>\$ 193,792</u>

The accompanying notes are an integral part of these statements.

**CAYUGA COUNTY DEVELOPMENT CORPORATION**  
**(A Blended Component Unit of the County of Cayuga, New York)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Grant revenue	\$ 2,193,898	\$ -
Other revenue	86,232	-
Loan interest income	7,379	4,500
Interest revenue	3,666	15
Application fees	<u>70</u>	<u>-</u>
Total operating revenues	<u>2,291,245</u>	<u>4,515</u>
OPERATING EXPENSES:		
Outside contract services	30,000	15,000
Professional fees	10,142	4,858
Registration fees	<u>75</u>	<u>81</u>
Total operating expenses	<u>40,217</u>	<u>19,939</u>
OPERATING INCOME (LOSS)	<u>2,251,028</u>	<u>(15,424)</u>
CHANGE IN NET POSITION	2,251,028	(15,424)
NET POSITION - beginning of year	<u>193,792</u>	<u>209,216</u>
NET POSITION - end of year	<u>\$ 2,444,820</u>	<u>\$ 193,792</u>

The accompanying notes are an integral part of these statements.

**CAYUGA COUNTY DEVELOPMENT CORPORATION**  
**(A Blended Component Unit of the County of Cayuga, New York)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from application fees	\$ 70	\$ -
Cash received from loan interest income	7,379	4,500
Cash received from interest income	3,666	15
Cash received from grant revenue	2,193,898	-
Cash received from principal due on notes receivable	316,306	12,113
Cash paid to borrowers	(904,982)	-
Cash paid for contract services	(30,000)	(15,000)
Cash paid for professional services	(9,342)	(4,938)
Cash paid for registration fees	<u>(75)</u>	<u>(81)</u>
Net cash from operating activities	<u>1,576,920</u>	<u>(3,391)</u>
<b>CHANGE IN CASH</b>	<b>1,576,920</b>	<b>(3,391)</b>
CASH - beginning of year	<u>71,804</u>	<u>75,195</u>
CASH - end of year	<u>\$ 1,648,724</u>	<u>\$ 71,804</u>
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS</b>		
<b>FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 2,251,028	\$ (15,424)
Adjustments to reconcile operating income (loss) to net cash flow from operating activities:		
Changes in:		
Accounts payable	18,636	(80)
Loan receivable	<u>(692,744)</u>	<u>12,113</u>
Net cash from operating activities	<u>\$ 1,576,920</u>	<u>\$ (3,391)</u>

The accompanying notes are an integral part of these statements.

**CAYUGA COUNTY DEVELOPMENT CORPORATION  
(A Blended Component Unit of the County of Cayuga, New York)**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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**1. ORGANIZATION**

The Cayuga County Development Corporation (the Corporation) is a local development corporation, registered under nonprofit law. The purpose of the corporation is to relieve and reduce unemployment; promote and provide for additional employment and maintain job opportunities; lessen the burden of government and act in the public interest.

The corporation is a separate legal entity, whose sole member is the County of Cayuga, which appoints the Corporation's Board. As such, in accordance with Governmental Accounting Standards Board (GASB) Standards, the Corporation is a blended component unit of the County.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

**Measurement Focus and Basis of Accounting**

The Corporation operates as a proprietary fund. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Income Tax Status**

The Corporation was organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Grant Revenue**

The Corporation received grant revenue from the County as a subrecipient, as fully described in Note 5.

### **Operating and Non-operating Revenues and Expenses**

As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant revenues, interest revenue, and other revenues associated with the agreement with the County as fully described in Note 5. Operating expenses include contractual services paid to the County and professional fees. There are no non-operating revenues and expenses for the years ended December 31, 2018 or 2017.

### **Revenue Recognition**

Grant revenue and other revenue from the County was recognized when earned in accordance with the agreement signed with the County, as fully described in Note 5. In the case of loan interest revenue, revenues are recorded and considered earned in accordance with loan documents and amortization schedules, regardless of when received. No outstanding interest revenue on loans existed at December 31, 2018 or 2017.

### **Net Position**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and 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. The Corporation does not have net investment in capital assets at December 31, 2018 or 2017.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation does not have restricted net position at December 31, 2018 or 2017.
- c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

It is the Corporation's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Reclassifications**

The prior year financial statements have been reclassified and certain disclosures were revised in accordance with generally accepted accounting principles promulgated by the GASB. The reported net position value did not change from the value previously reported by the Corporation.

### 3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Corporation 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.

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 (NYS). 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 NYS General Municipal Law, Section 10 and outlined in the NYS Comptroller's Financial Management Guide.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### **Credit Risk**

The Corporation'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.

#### **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 Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, 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 the aggregate amount of deposits.

The Corporation 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 partially insured or guaranteed by an agency of the United States of America;
- Obligations issued or fully insured or guaranteed by NYS;
- Obligations issued by a municipal corporation, school district or district corporation of NYS;
- Obligations issued by states (other than NYS) of the United States of America rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

The Corporation maintained cash balances with a financial institution insured by the FDIC up to \$250,000, for interest bearing and non-interest bearing accounts. At December 31, 2018, the corporation's deposits, including certificate of deposits, was \$1,648,684 and the bank balance was \$1,647,300. \$750,000 was covered by FDIC while the remaining balance was collateralized in full and in excess of required amounts in the amount of \$1,911,064. As of December 31, 2017, the Corporation's deposits consisted of \$71,804 in cash, and was insured in full by FDIC.

#### 4. LOANS RECEIVABLE

As of December 31, loan receivable consisted of:

	<u>2018</u>	<u>2017</u>
Original loan of \$140,000 to be paid back in monthly installments of \$1,384, including interest at 3.5% through June 2026.	\$ 108,380	\$ 121,988
Original loan of \$100,000 transferred to the Corporation with an outstanding amount due of \$81,587 to be paid back in monthly installments of \$1,012, including interest at 3.5% through March 2026.	76,352	-
Original loan of \$130,000 to be paid back in monthly installments of \$2,453, including interest at 5.0% through April 2024.	130,000	-
Original loan of \$500,000 to be paid back in monthly installments of \$9,208, including interest at 4.0% through January 2024.	<u>500,000</u>	<u>-</u>
Total	814,732	121,988
Current portion	<u>121,060</u>	<u>12,533</u>
Long-term portion	<u>\$ 693,672</u>	<u>\$ 109,455</u>

#### 4. LOANS RECEIVABLE (Continued)

Maturities of the loan receivable at December 31, 2018 is as follows:

	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2019	\$ 121,060	\$ 29,402	\$ 150,462
2020	142,972	25,728	168,700
2021	148,981	19,720	168,701
2022	155,244	13,457	168,701
2023	161,774	6,927	168,701
2024-2028	<u>84,701</u>	<u>3,143</u>	<u>87,844</u>
	\$ <u>814,732</u>	\$ <u>98,377</u>	\$ <u>913,109</u>

#### 5. AGREEMENT WITH COUNTY OF CAYUGA, NEW YORK

In May 2018 the Corporation entered into a subrecipient agreement (agreement) with the County. This agreement stipulated that the County was to transfer all federal CDBG loan pool funds and NYS CDBG loan pool funds held by the County to the Corporation in the amount of \$2,193,898, which the Corporation recorded as grant revenue as of December 31, 2018.

In addition, as part of this agreement, the Corporation was transferred the rights to 2 (two) outstanding loans in the amount of \$86,232 of which \$76,352 remained due and payable at December 31, 2018. Such amount is included in loans receivable with a current portion due at December 31, 2018 of \$9,264. As of December 31, 2018, \$86,232 was recorded as other revenue.

Under separate agreement, the Corporation compensated the County \$30,000 and \$15,000 for the years ending December 31, 2018 and 2017 respectively, for fees generated from Department of Planning & Economic Development employees managing the Corporation.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 21, 2019

To the Board of Directors of  
Cayuga County Development Corporation:

We have audited, 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, the financial statements of the Cayuga County Development Corporation (the Corporation), (a blended component unit of the County of Cayuga, New York), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 21, 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bonadio & Co., LLP*