

**TOSKI, SCHAEFER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DRIVE

WILLIAMSVILLE, NEW YORK 14221

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**REPORT TO THE BOARD**

May 28, 2010

The Board of Directors  
Warren County Local Development Corporation

We are pleased to have the opportunity to express to you our comments resulting from our audit of the financial statements of Warren County Local Development Corporation (the Corporation) as of and for the year ended December 31, 2009. As a result of our audit we have issued our Independent Auditors' Report thereon, dated May 28, 2010. One of our responsibilities as auditors is to present additional information regarding the scope and results of the audit to assist you in overseeing the financial disclosure and reporting process of the Corporation. The following offers comments on our involvement with that process and with management as it carries out its responsibilities.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the financial statements and report of the Corporation does not extend beyond the financial information identified in the report itself. We do not have an obligation to perform any procedures to corroborate other information contained in these other documents. We are not aware of any documents containing the audited financial statements which we would be required to review.

### Significant Audit Findings

We are responsible for communicating significant matters related to the audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Corporation are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### 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.

For the year ended December 31, 2009, we have evaluated the key factors and assumptions used by management in determining whether accounting estimates were reasonable in relation to the financial statements taken as a whole.

### Significant Disclosures

The disclosures in the financial statements are consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### Difficulties Encountered in Performing the Audit

No difficulties of significance were encountered during the current year audit. No significant delays were noted in the commencement of the audit or in providing us with needed information. Management was very helpful in assisting us during our audit.

### Corrected and Uncorrected Misstatements

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

### Disagreements with Management

For purposes of this report, professional standards define a disagreement with management as 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 by management.

### 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.

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.

The Board of Directors  
May 28, 2010  
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We appreciate the opportunity to serve as your auditors. Please contact us at your convenience if you would like to meet with us to discuss our findings in further detail or to review any other questions that you might have.

Very truly yours,

TOSKI, SCHAEFER & CO., P.C.

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May 28, 2010

CONFIDENTIAL

The Board of Directors  
Warren County Local Development Corporation  
1340 State Route 9  
Lake George, New York 12845

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, 2009. 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.

Borrower Status Reports

As required by the loan agreement, the borrower is responsible to report certain information to the Corporation every six months. None of the borrowers we tested complied with this requirement. However, the Executive Director of the Corporation is in regular communication with each borrower through site visits and telephone calls. We recommend that a written summary of these communications be prepared by the Executive Director, forwarded to the borrower for signature, and filed with the loan documentation. In addition, we recommend that the borrower provide annual financial information, such as a tax returns or a financial statement.

Loan Documentation

We noted that the loan documentation did not change if the legal business name of the borrower was changed. We recommend that the loan documentation maintained by the Corporation reflect the most recent legal business entity name for each borrower.

Accounting Policies and Procedures Manual

We recommend that the Corporation develop an accounting policies and procedures manual. An accounting policies and procedures manual should include, among other things, an up-to-date chart of accounts, adequate explanation of account content and appropriate descriptions of all accounting procedures and routines. The manual should also include the Corporation's purchasing policies and procedures. Any changes in the system or procedures should require a written revision of the accounting manual and would be subject to approval of management. Such a system would assist management in their responsibility to monitor the system of internal control. All accounting personnel should have a thorough working knowledge of the manual.

\* \* \* \* \*

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, SCHAEFER & CO., P.C.



Ronald C. Toski, CPA  
Managing Director

WARREN COUNTY LOCAL  
DEVELOPMENT CORPORATION  
(A Component Unit of Warren County)  
Financial Statements and  
Supplementary Information  
December 31, 2009 and 2008  
(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 statement of financial position of Warren County Local Development Corporation (the Corporation) as of December 31, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Corporation as of December 31, 2008 were audited by other auditors whose report dated August 28, 2009, expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Local Development Corporation as of December 31, 2009 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2010 on our consideration of Warren County Local Development 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 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 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Toski, Schaefer & Co., P.C.*

Williamsville, New York  
May 28, 2010

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of Warren County)  
Statements of Financial Position  
December 31, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and equivalents	\$ 649,063	516,374
Due from Warren County	6,104	6,039
Grants receivable	-	51,598
Loans receivable - current portion	381,295	418,420
Allowance for doubtful accounts	<u>(82,000)</u>	<u>(82,000)</u>
Total current assets	954,462	910,431
Other assets - loans receivable, net of current portion	<u>750,546</u>	<u>766,298</u>
Total assets	<u>\$ 1,705,008</u>	<u>1,676,729</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	324	-
Deferred revenue	-	56,822
Due to HUD	<u>8,531</u>	<u>7,204</u>
Total current liabilities	8,855	64,026
Unrestricted net assets	<u>1,696,153</u>	<u>1,612,703</u>
Total liabilities and net assets	<u>\$ 1,705,008</u>	<u>1,676,729</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted revenue:		
Grants	\$ 143,454	591,344
Interest and late fees on loans	40,139	31,852
Program service fees	825	-
Contributed support	<u>21,000</u>	<u>21,000</u>
Total unrestricted revenue	<u>205,418</u>	<u>644,196</u>
Unrestricted expenses:		
Grants and contracts	93,681	339,144
Bad debts	-	28,000
Administrative	28,187	24,489
Miscellaneous	<u>100</u>	<u>379</u>
Total unrestricted expenses	<u>121,968</u>	<u>392,012</u>
Increase in unrestricted net assets	83,450	252,184
Unrestricted net assets at beginning of year	<u>1,612,703</u>	<u>1,360,519</u>
Unrestricted net assets at end of year	<u>\$ 1,696,153</u>	<u>1,612,703</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 83,450	252,184
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provisions for bad debts	-	28,000
Changes in:		
Due from Warren County	(65)	(6,039)
Grants receivable	51,598	(51,598)
Accounts payable	324	-
Deferred revenue	(56,822)	56,822
Due to HUD	1,327	2,283
Net cash provided by operating activities	<u>79,812</u>	<u>281,652</u>
Cash flows from investing activities:		
Loans issued	(70,000)	(456,900)
Proceeds from loan payments	<u>122,877</u>	<u>197,232</u>
Net cash provided by (used in) investing activities	<u>52,877</u>	<u>(259,668)</u>
Net increase in cash and equivalents	132,689	21,984
Cash and equivalents at beginning of year	<u>516,374</u>	<u>494,390</u>
Cash and equivalents at end of year	<u>\$ 649,063</u>	<u>516,374</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2009 and 2008

(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. Program 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 repairs to their homes.

Warren County contracts with the Corporation to administer a revolving loan program created 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 general-purpose 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 is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation had only unrestricted net assets in 2009 and 2008.

(d) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 equivalents.

Cash includes bank demand deposit accounts. The Corporation's aggregate bank balances not covered by depository insurance or collateralized were approximately \$400,000. The Corporation's cash balances may at times exceed federally insured limits. The Corporation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash.

(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.

(g) Grants Receivable

Grants receivable consist of granting agencies obligations for services performed. The full amount is expected to be collected in the near term.

(h) Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable 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 accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(i) Deferred Revenue

Deferred revenue represents advances received from granting agencies for services to be performed in a future period.

(j) 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 amount program and supporting services is not considered significant to the operations of the Corporation, therefore, no such allocation has been provided.

(k) Contributed Services

During the years ended December 31, 2009 and 2008, 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.

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 Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Corporation's accounting policies. The adoption of the Codification did not have a material impact on the Corporation's financial position or results of operations.

(m) Subsequent Events

The Corporation has evaluated events after December 31, 2009, and through May 28, 2010, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(n) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements.

(2) 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 one bank totaling \$649,063 at December 31, 2009. These deposits are fully secured by Federal Deposit Insurance Corporation insurance and/or pledged collateral.

(3) Loans Receivable

The Corporation maintains a micro-enterprise loan program. The loans have varying interest rates ranging from 3% to 8% and have repayment terms ranging from 3 to 7 years. The loans are collateralized by a first or priority security interest in any equipment, machinery, furnishings or fixtures refinanced or purchased from loan proceeds. An allowance for doubtful accounts of \$82,000 has been established as of December 31, 2009 and 2008. Expected repayments on the loans receivable are as follows:



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

(3) Loans Receivable, Continued

2010	\$ 381,295
2011	172,095
2012	171,356
2013	156,626
2014	116,373
Thereafter	<u>134,096</u>
Total	\$ <u>1,131,841</u>

(4) Related Party

The majority of the Corporation's directors are members of the Warren County Board of Supervisors. The Corporation is provided office space, administrative and secretarial services, office equipment, and supplies by Warren County without charge.

(5) Contributed Support

In the agreement between the Corporation and Warren County, the County has agreed to pay a support fee for services rendered in administering the development grants of the County. For the years ended December 31, 2009 and 2008, the support fee revenue amounted to \$21,000. The amounts due from Warren County as of December 31, 2009 and 2008 amounted to \$6,104 and \$6,039, respectively.

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION  
 (A Component Unit of Warren County)  
 Schedule of Expenditures of Federal Awards  
 Year ended December 31, 2009

<u>Federal Grantor/Program Title</u>	<u>Pass Through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development - pass-through New York State Housing Trust Fund Corporation - Community Development Block Grant	1197	14.228	\$ <u>1,131,841</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  
December 31, 2009

(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, 2009, the amount reported as federal expenditures represents the amount of loans receivable financed by the Community Development Block Grant Program.

(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 Corporation's financial statements.

(3) Subrecipients

The Corporation did not provide federal awards to any subrecipients.

**TOSKI, SCHAEFER & CO., P.C.**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND COMPLIANCE AND ON 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 the financial statements of Warren County Local Development Corporation, a component unit of Warren County, as of and for the year ended December 31, 2009, and have issued our report thereon dated May 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Warren County Local Development Corporation in a separate letter dated May 28, 2010.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should, not be used by anyone other than these specified parties.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
May 28, 2010

**TOSKI, SCHAEFER & CO., P.C.**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
Warren County Local Development Corporation:

Compliance

We have audited the compliance of Warren County Local Development Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 the 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. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, Warren County Local Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

## Internal Control Over Compliance

The management of Warren County Local Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
May 28, 2010

WARREN COUNTY LOCAL DEVELOPMENT CORPORATION  
 (A Component Unit of Warren County)  
 Schedule of Findings and Questioned Costs  
 Year ended December 31, 2009

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
1. Material weakness(es) identified?	_____ Yes <u>  x  </u> No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ 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 not considered to be material weakness(es)?	_____ Yes <u>  x  </u> None reported

Type of auditors' report issued on compliance for major programs:	Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))	_____ Yes <u>  x  </u> No
7. The Corporation's major program audited was the Community Development Block Grant, CFDA Number 14.228.	
8. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
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.



WARREN COUNTY LOCAL DEVELOPMENT CORPORATION  
(A Component Unit of Warren County)  
Status of Prior Audit Findings  
December 31, 2009

There were no audit findings with regard to the prior year financial statements (December 31, 2008).