

**WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
REPORT TO THE BOARD OF DIRECTORS**

DECEMBER 31, 2017



March 26, 2018

To the Members of the Board of Directors
Wyoming County Business Assistance Corporation
36 Center Street, Suite D
Warsaw, New York 14569

Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the Wyoming County Business Assistance Corporation (the Loan Corporation) for the year ended December 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Loan Corporation's financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Loan Corporation.

Very truly yours,

Freed Maxick CPAs, P.C.

Freed Maxick CPAs, P.C.

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

| Area | Comments |
|--|---|
| Our Responsibilities with Regard to the Financial Statement Audit | Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States has been described to you in our arrangement letter dated December 19, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter. |
| Overview of the Planned Scope and Timing of the Financial Statement Audit | We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement. |
| Accounting Policies and Practices | Preferability of Accounting Policies and Practices Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Loan Corporation. The Loan Corporation did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period. Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates." |

| | |
|--|--|
| Basis of Accounting | The financial statements were prepared on assumption that the Loan Corporation will continue as a going concern. |
| Audit Adjustments | There were no audit adjustments made to the original trial balance presented to us to begin our audit. |
| Uncorrected Misstatements | We are not aware of any uncorrected misstatements noted during our audit. |
| Disagreements with Management | We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements. |
| Consultations with Other Accountants | We are not aware of any consultations management had with other accountants about accounting or auditing matters. |
| Significant Issues Discussed with Management | No significant issues arising from the audit were discussed or were the subject of correspondence with management. |
| Significant Difficulties Encountered in Performing the Audit | We did not encounter any significant difficulties in dealing with management during the audit. |
| Letter Communicating Operational and Other Matters | Other matters identified during the audit are presented on Exhibit A. |
| Significant Written Communication Between Management and Our Firm | A copy of a certain written communication between our firm and the management of the Loan Corporation is attached as Exhibit B |

**Wyoming County Business Assistance Corporation
Summary of Significant Accounting Estimates
Year Ended December 31, 2017**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Loan Corporation's December 31, 2017 financial statements.

| <u>Estimate</u> | <u>Accounting Policy</u> | <u>Management's Estimation Process</u> | <u>Basis for Our Conclusions on Reasonableness of Estimate</u> |
|--|---|---|--|
| Allowance for Uncollectible Notes | Management estimates the collectability of their notes portfolio on a note by note basis based on conditions that exist at the time of the audit. | Management reviews note payment history and correspondence with borrowers in evaluating the allowance for uncollectible notes every year. | Management's process to estimate the allowance for uncollectible notes appears reasonable. |

Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by the Loan Corporation. The Loan Corporation's management has not yet determined the effect these statements will have on the Loan Corporation's financial statements. However, the Loan Corporation plans to implement all standards by the required dates. The Statements which might impact the Loan Corporation are as follows:

Summary of GASB Statement No. 85, Omnibus 2017

This Statement issued in March 2016 will be effective for the Loan Corporation beginning with its fiscal year ending December 31, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.

Specifically, this Statement addresses topics regarding (1) blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, (2) reporting amount previously reported as goodwill and "negative" goodwill, (3) classifying real estate held by insurance entities, (4) measuring certain money market investments and participating interest earning investment contracts at amortized cost, (5) timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, (6) recognizing on-behalf payments for pensions or OPEB in employer financial statements, (7) classifying employer-paid member contributions for OPEB, (8) simplifying certain aspects of the alternative measurement method for OPEB, and (9) accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Summary of GASB Statement No. 87, Leases

This Statement was issued in June 2017 and will be effective for the Loan Corporation beginning with its fiscal year ending December 31, 2020. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of GASB Statement No. 87 are effective for financial periods beginning after December 15, 2019. Earlier application is encouraged.

EXHIBIT A

LETTER COMMUNICATING OPERATIONAL AND OTHER MATTERS



Letter Communicating Operational and Other Matters

To the Members of the Board of Directors
Wyoming County Business Assistance Corporation
36 Center Street, Suite D
Warsaw, New York 14569

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Wyoming County Business Assistance Corporation (the Loan Corporation) as of and for the year ended December 31, 2017. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Loan Corporation's practices and procedures.

OPERATIONAL MATTER

Cybersecurity

Observation

The Loan Corporation currently does not have a comprehensive cybersecurity program with a formal technology vulnerability management and penetration testing process to protect itself from cybersecurity threats. New vulnerabilities and new attacker exploits occur almost daily, thus the Loan Corporation could be susceptible to attack which could cause significant disruption or loss of sensitive and valuable data. In addition, it can be difficult for IT departments to keep systems current on frequent security upgrades released by hardware and software vendors.

Recommendation

A formal cybersecurity testing program helps assure the proper security layers and controls are in place. We recommend consulting with our Risk and Technology audit team to conduct periodic cybersecurity reviews including internal and external vulnerability and penetration testing. This should be performed at least annually or whenever a significant change is made to the IT environment, so that identified potential vulnerabilities can be monitored and the security of your network can be improved, reducing the Loan Corporation's risk exposures from being compromised.

OTHER MATTERS

Website Compliance

Observation

Through review of our website compliance checklist associated with New York State Public Authorities Law, the Loan Corporation does not have the all of the necessary items included on their website. The Board member information should include professional experience and background of each member, which was omitted from the website

Recommendation

We recommend that the required information be added to the Loan Corporation's website and a periodic review of the website is conducted to ensure compliance.

Investment Policy

Observation

Through our testing performed in relation to the investment guidelines under New York State Public Authorities Law, the Loan Corporation does not routinely review the standing of its financial institutions. Under the Loan Corporation's investment guidelines, the Loan Corporation is required to obtain call reports from the bank on a periodic basis. We noted through our testing that the review of the call reports was not being performed.

Recommendation

We recommend that the Loan Corporation consider modifying their investment policy with respect to monitoring activities to allow regular examination of financial statements and annual reports of the respective financial institutions. These documents contain industry measurement guides and ratios for comparative purposes and may provide the Loan Corporation with a better understanding of the financial institution's economic standing.

This letter is intended solely for the information and use of management and members of the Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Batavia, New York
March 26, 2018

EXHIBIT B

**SIGNIFICANT WRITTEN COMMUNICATION BETWEEN MANAGEMENT
AND OUR FIRM**



**WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
36 CENTER STREET, SUITE D
WARSAW, NEW YORK 14569**

March 26, 2018

Freed Maxick CPAs, P.C.
One Evans Street
Batavia, New York 14020

This representation letter is provided in connection with your audit of the financial statements of the Wyoming County Business Assistance Corporation (the Loan Corporation), as of and for the years ended December 31, 2017 and 2016 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of the auditor's report:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated December 19, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related party transactions, including those with the Wyoming County Industrial Development Agency having accountability for the Loan Corporation, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Net position classifications.
 - b. All significant estimates known to management that are required to be disclosed.
 - c. Deposits and investment securities category of custodial credit risk.

- d. The effect on the financial statements of Governmental Accounting Standards Board (GASB) Pronouncements, which have been issued, but which we have not yet adopted.
- 9. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
- 10. We have complied with all aspects of contractual agreements that would have a material effect on the basic financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
- 11. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

- 12. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees of board members, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud, if applicable.
- 15. We have no knowledge of allegations of fraud or suspected fraud, affecting the Loan Corporation's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
- 16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Loan Corporation's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
- 17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- 19. We have disclosed to you the identity of the Loan Corporation's related parties and all the related-party relationships and transactions of which we are aware.
- 20. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Loan Corporation's ability to record, process, summarize, and report financial data.
- 21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

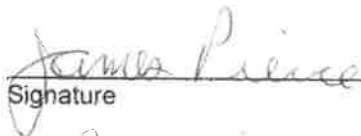
22. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
2. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Loan Corporation.
3. Has identified and disclosed to the auditor there are no instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
4. Has identified and disclosed to the auditor there are no instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
5. Has identified and disclosed to the auditor there are no instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
6. Is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
7. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
8. Has a process to track the status of audit findings and recommendations, if applicable.
9. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendation have been implemented.
10. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating James Pierce, Director, who possesses suitable skill, knowledge, or experience; to evaluate the adequacy and results of the services performed; and to accept responsibility for the results of the services.

Wyoming County Business Assistance Corporation


Signature


Title

**WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
36 CENTER STREET, SUITE D
WARSAW, NEW YORK 14569**

March 26, 2018

Freed Maxick CPAs, P.C.
One Evans Street
Batavia, New York 14020

In connection with your examination of the Wyoming County Business Assistance Corporation's (the Loan Corporation) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") during the period of January 1, 2017 through December 31, 2017, in accordance with attestation standards established by the American Institute of Certified Public Accountants, we confirm to the best of our knowledge and belief, the following representations made to you during the course of your engagement:

1. We are responsible for the Loan Corporation's compliance with the Investment Guidelines.
2. We are responsible for establishing and maintaining effective internal control over the Loan Corporation's compliance with the Investment Guidelines.
3. We have performed an evaluation of the Loan Corporation's compliance with the Investment Guidelines. Based on our evaluation, the Loan Corporation has complied with the Investment Guidelines during the period of January 1, 2017 through December 31, 2017 based on the criteria referred to under New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law.
4. There has been no known noncompliance with the Investment Guidelines during the period of January 1, 2017 through December 31, 2017 or through the date of this letter.
5. There are no known communications from regulatory agencies, internal auditors, or other practitioners concerning the Loan Corporation's possible noncompliance with the Investment Guidelines received by us during the period of January 1, 2017 through December 31, 2017 or through the date of this letter.
6. We have made available to you all documentation related to the Loan Corporation's compliance with the Investment Guidelines.
7. There has been no knowledge of fraud or suspected fraud affecting the Loan Corporation involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where fraud could have a material effect on the Loan Corporation's compliance with the Investment Guidelines.
8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Loan Corporation received in communications from employees, former employees, analysts, regulators, short sellers, or others.
10. We have responded fully to all inquiries made to us by you during your engagement.

11. During the course of your engagement you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Wyoming County Business Assistance Corporation

James Price

Signature

President

Title