

STEUBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of
Steuben, New York)

Financial Statements as of
December 31, 2019
Together with Independent
Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

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INDEPENDENT AUDITOR'S REPORT

March 4, 2020

To the Board of Directors of the
Steuben County Land Bank Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Steuben County Land Bank Corporation (the Corporation), a blended component unit of the County of Steuben, New York, as of and for the year ended December 31, 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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, 2019, and the 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.

Summarized Comparative Totals

We have previously audited the Corporation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 4, 2020 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.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2019

This section of the Steuben County Land Bank Corporation's (the Corporation), annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2019 and 2018. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

This Corporation was incorporated in 2016 to address the problems with vacant, abandoned, or tax delinquent property in the County of Steuben, New York (the County) with the intent to return the properties to productive use. Operations commenced in 2017.

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 basic financial statements and notes to those statements. The Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, the Statement 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 Corporation's financial health. The Statement of Net Position includes all of the Corporation's assets and liabilities, using the accrual basis of accounting. The Statement of Revenues, Expenses and Change in Net Position reports all of the revenues and expenses during the time period indicated. The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

The 2019 financial statements are presented with comparative totals from 2018.

FINANCIAL HIGHLIGHTS

- The Corporation's total net position at December 31, 2019 and 2018 was \$403,648 and \$350,780, respectively.
- Total current assets at December 31, 2019 and 2018 were \$408,501 and \$371,248, respectively. Current assets were comprised of cash, inventory, grants receivable, and prepaid insurance.
- Total current liabilities at December 31, 2019 and 2018 were \$4,853 and \$20,468, respectively. Current liabilities were comprised of advanced grant funds which have not yet been expended. The Corporation has provided reasonable assurance that these funds will be used.
- Operating revenues for the year ended December 31, 2019 were \$163,829 and consisted of income from the sale of rehabilitated property, the value of property donated to the Corporation, and in-kind services provided by the County. Operating revenues for the year ended December 31, 2018 were \$255,350, and consisted of income from the sale of property and in-kind services provided by the County.
- Operating expenses for the years ended December 31, 2019 and 2018 were \$299,265 and \$318,885, respectively.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2019

- Operating loss for the years ended December 31, 2019 and 2018 was \$135,436 and \$63,535, respectively.

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

Summary of Assets, Liabilities, and Net Position

	<u>2019</u>	<u>2018</u>
Current assets	\$ 408,501	\$ 371,248
Current liabilities	<u>4,853</u>	<u>20,468</u>
Total Net position - unrestricted	<u>\$ 403,648</u>	<u>\$ 350,780</u>

Current Assets

Current assets at December 31, 2019 were comprised of cash from a grant and the sale of rehabilitated property, grants receivable, inventory, and prepaid expense for 2020 insurance premiums.

Current assets at December 31, 2018 were comprised of cash from a state provided grant and the sale of rehabilitated property, inventory, and prepaid expense for 2019 insurance premiums.

Inventory

As of December 31, 2019, inventory consists of six properties. The Corporation acquired five new properties during the year and sold three properties, two of which were included in inventory at December 31, 2018. Inventory at December 31, 2018 consisted of four properties. Management intends to complete either demolition or rehabilitation of these properties and then sell them.

Capital Assets

As of December 31, 2019 and 2018, the Corporation did not possess any capital assets.

Current Liabilities

Current liabilities are comprised of advanced grant funds on a grant award from the Local Initiatives Support Corporation (LISC) in the amount of \$500,000 that have been received but not yet spent for their designated purpose. As of December 31, 2019, \$500,000 has been received from LISC and \$495,147 has been spent to date. As of December 31, 2018, \$385,583 had been received from LISC and \$373,871 was spent to date.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2019

Summary of Revenues, Expenses, and Change in Net Position

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Sale of property	\$ 98,837	\$ 177,422
In-Kind revenue	60,392	77,928
Donation of property	<u>4,600</u>	<u>-</u>
Total operating revenues	<u>163,829</u>	<u>255,350</u>
OPERATING EXPENSES:		
Cost of sales	151,616	157,759
Unrealized loss on inventory	27,128	-
Property maintenance	3,177	15,267
Management fees	37,465	31,000
Insurance	29,100	27,931
Professional services	7,500	7,000
General and administrative expenses	2,020	2,000
In-Kind expense	<u>41,259</u>	<u>77,928</u>
Total operating expenses	<u>299,265</u>	<u>318,885</u>
Operating loss	<u>(135,436)</u>	<u>(63,535)</u>
NON-OPERATING REVENUE		
Grant revenue	187,774	287,786
Interest income	<u>530</u>	<u>43</u>
Total non-operating revenues	<u>188,304</u>	<u>287,829</u>
CHANGE IN NET POSITION	52,868	224,294
NET POSITION - beginning of year	<u>350,780</u>	<u>126,486</u>
NET POSITION - end of year	<u>\$ 403,648</u>	<u>\$ 350,780</u>

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2019

Operating Revenues

During 2019, operating revenue was comprised of revenue from the sale of property, revenue from the donation of property to the Corporation, and services rendered in-kind. Operating revenue in 2018 was comprised of revenue from the sale of property and services rendered in-kind.

Operating Expenses

Operating expenses in 2019 were primarily comprised of cost of sales, management fees, insurance premiums, services rendered in-kind, and unrealized loss on inventory. Operating expenses in 2018 were primarily comprised of costs of sales, management fees, insurance premiums and services rendered in-kind.

Operating Results

The Corporation had an operating loss of \$135,436 for the year ended December 31, 2019 and \$63,535 for the year ended December 31, 2018.

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 Steuben Land Bank Corporation - Steuben County Office Building, 3 East Pulteney Square, Bath, NY 14810.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Statement of Net Position
December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 232,988	\$ 175,716
Restricted cash	4,853	20,468
Grants receivable	9,797	-
Inventory	140,677	155,526
Prepaid expenses	<u>20,186</u>	<u>19,538</u>
Total current assets	<u>408,501</u>	<u>371,248</u>
Total assets	<u>408,501</u>	<u>371,248</u>
LIABILITIES		
CURRENT LIABILITIES:		
Grant revenue advance	<u>4,853</u>	<u>20,468</u>
Total liabilities	<u>4,853</u>	<u>20,468</u>
NET POSITION		
Unrestricted	<u>403,648</u>	<u>350,780</u>
Total net position	<u>\$ 403,648</u>	<u>\$ 350,780</u>

The accompanying notes are an integral part of these statements.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Statement of Revenues, Expenses and Change in Net Position
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE:		
Sale of property	\$ 98,837	\$ 177,422
In-Kind revenue	60,392	77,928
Donation of property	<u>4,600</u>	<u>-</u>
Total operating revenues	<u>163,829</u>	<u>255,350</u>
OPERATING EXPENSES:		
Cost of sales	151,616	157,759
Unrealized loss on inventory	27,128	-
Property maintenance	3,177	15,267
Management fees	37,465	31,000
Insurance	29,100	27,931
Professional services	7,500	7,000
General and administrative expenses	2,020	2,000
In-Kind expense	<u>41,259</u>	<u>77,928</u>
Total operating expenses	<u>299,265</u>	<u>318,885</u>
Operating loss	<u>(135,436)</u>	<u>(63,535)</u>
NON-OPERATING REVENUE		
Grant revenue	187,774	287,786
Interest income	<u>530</u>	<u>43</u>
Total non-operating revenue	<u>188,304</u>	<u>287,829</u>
CHANGE IN NET POSITION	52,868	224,294
NET POSITION - beginning of year	<u>350,780</u>	<u>126,486</u>
NET POSITION - end of year	<u>\$ 403,648</u>	<u>\$ 350,780</u>

The accompanying notes are an integral part of these statements.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sale of property	\$ 98,837	\$ 177,422
Cash paid for inventory	(140,162)	(251,506)
Cash paid for property maintenance	(3,177)	(15,267)
Cash paid for management fees	(37,465)	(31,000)
Cash paid for insurance	(29,748)	(30,789)
Cash paid for professional services	(7,500)	(7,000)
Cash paid for general and administrative expenses	<u>(2,020)</u>	<u>(2,000)</u>
Net cash from operating activities	<u>(121,235)</u>	<u>(160,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from grants	162,362	283,110
Cash received from interest	<u>530</u>	<u>43</u>
Net cash from investing activities	<u>162,892</u>	<u>283,153</u>
CHANGE IN CASH	41,657	123,013
CASH - beginning of year	<u>196,184</u>	<u>73,171</u>
CASH - end of year	<u>\$ 237,841</u>	<u>\$ 196,184</u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:		
Cash	\$ 232,988	\$ 175,716
Restricted cash	<u>4,853</u>	<u>20,468</u>
Total	<u>\$ 237,841</u>	<u>\$ 196,184</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (135,436)	\$ (63,535)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Changes in:		
Inventory	14,849	(93,747)
Prepaid expenses	<u>(648)</u>	<u>(2,858)</u>
Net cash from operating activities	<u>\$ (121,235)</u>	<u>\$ (160,140)</u>

Schedule of Noncash Investing, Capital and Financing Activities

In 2019, the Corporation received \$19,133 in inventory through the contribution of in-kind demolition services by the County Department of Public Works.

The accompanying notes are an integral part of these statements.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Notes to Basic Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

1. ORGANIZATION

The Steuben County Land Bank Corporation (the Corporation), was formed in 2016 to assist communities within the County of Steuben, New York (the County) in addressing the issues of blight caused by vacant, abandoned, condemned and foreclosed properties. Operations commenced in 2017. The Corporation endeavors to reverse the trend of declining property values and further deterioration of Steuben County's housing and commercial stock by stabilizing neighborhoods, encouraging private investment and improving the quality of life for Steuben County residents.

The Corporation was formed with the County as its sole member. However, due to the immateriality of the Corporation to the County, it is not presented as a blended component unit.

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, deferred outflows of resources, liabilities, and deferred inflows of resources (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.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Notes to Basic Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not in the same detail used for the current year presentation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2018, from which the summarized information was obtained.

Income Tax Status

The Corporation was organized as a not-for-profit corporation under the laws of the State of New York, and submitted an Application for Recognition of Exempt Status to the Internal Revenue Service with respect to Section 501(c)(3) of the Internal Revenue Code.

Inventory

Inventory consists of vacant, abandoned, or tax delinquent property in the County purchased by the Corporation or donated by the County. Inventory is valued at the lower of cost or market. Market value is defined as estimated selling price, not to be in excess of assessed value. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Prepaid Expenses

Prepaid expenses at December 31, 2019 and 2018 were comprised of amounts paid for insurance policies for the subsequent fiscal year.

Grants Receivable

Grants receivable consists of grant funding that was earned but not yet received from grant administrators as of year end.

Grant Revenue Advance

Grant advances consist of grant and government subsidy revenue amounts received for which the definition of earned has not been met. Such amounts are reflected as a liability until the amount is deemed earned and then recognized as revenue.

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 comprised of receipts from the sale of property, donation of property, and in-kind services from the County. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. Non-operating revenues consist of grants or subsidies received.

STEUBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Notes to Basic Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

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 did not have net investment in capital assets at December 31, 2019 or 2018.
- 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 did not have restricted net position at December 31, 2019 or 2018.
- 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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Corporation's investment policies are governed by State statutes. 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.

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. At December 31, 2019 and 2018, all of the Corporation's deposits were insured in full by FDIC.

4. CONCENTRATIONS OF CREDIT RISK

The Corporation receives significant support from certain governmental entities. The primary source of funding is through grant awards from Local Initiatives Support Corporation (LISC) and Enterprise Community Partners, Inc. (Enterprise). Funding from LISC comprised 37% of revenue for the year ended December 31, 2019 and 53% of revenue for the year ended December 31, 2018. The grant from Enterprise began in 2019 and comprised 16% of revenue for the year.

STEBEN COUNTY LAND BANK CORPORATION
(A Blended Component Unit of the County of Steuben, New York)

Notes to Basic Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

5. AGREEMENT WITH ARBOR HOUSING AND DEVELOPMENT

In July 2019, the Corporation renewed the agreement with Arbor Housing and Development (the Agent) wherein the Agent will provide services including program management related to administering grant awards, as well as construction, demolition and rehabilitation oversight. The agreement is in effect for an initial period of two years and can be renewed up to five years. The current agreement stipulates that the Corporation will pay the Agent \$40,550 annually for these services. Management fees paid to the Agent were \$37,465 and \$31,000 for the years ended December 31, 2019 and 2018, respectively.

6. AGREEMENT WITH COUNTY OF STEUBEN, NEW YORK

The Corporation has an agreement with the County wherein the County provides legal, managerial and demolition services. The total value of these in-kind services provided by the County was \$60,392 for the year ended December 31, 2019 and \$77,928 for the year ended December 31, 2018 and is recorded as in-kind revenue and expense. In 2019, in-kind expenses were lower than in-kind revenues by \$19,133, which is the value of demolition services provided by the County that was added to inventory of properties.

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 4, 2020

To the Board of Directors of the
Steuben County Land Bank 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 Steuben County Land Bank Corporation (the Corporation), a blended component unit of the County of Steuben, New York, as of and for the year ended December 31, 2019, and the related notes to the basic financial statements, and have issued our report thereon dated March 4, 2020.

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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.