

June 20, 2019

To the Board of Directors of  
Development Authority of the North Country:

We have audited the financial statements of Development Authority of the North Country (the Authority) for the year ended March 31, 2019. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *1. Qualitative Aspects of Accounting Practices*

- a. Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. During the year ended March 31, 2019, the Authority adopted the following accounting policy:

**As discussed in the footnotes to the financial statements, the Authority adopted GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 addresses accounting and financial reporting for other postemployment benefits (OPEB) provided to employees of state and local governmental employers. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The implementation also required the restatement of beginning net position which is described in the notes to the financial statements. Also, the footnote describing OPEB provided has been modified and additional required supplementary information was added.**

**We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.**

## Significant Audit Findings (Continued)

### 1. *Qualitative Aspects of Accounting Practices (Continued)*

- b. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:
- Postretirement benefits liability
  - Landfill closure and post-closure care liability
  - Asset lives for depreciable fixed assets
  - Allowance for doubtful loans receivable

**We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.**

- c. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:
- The disclosure of net position and fund balance classifications
  - The disclosures related to short term and long-term debt
  - The disclosure of the Authority's participation in pension plans in compliance with GASB Nos. 68 and 71.
  - The disclosure of the Authority's OPEB liability in compliance with GASB No. 75, including the one-time prior period adjustment effecting the beginning net position.

**The financial statement disclosures are neutral, consistent, and clear.**

### 2. *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.

**We are pleased to report that no corrected and uncorrected misstatements arose during the course of our audit.**

### 3. *Difficulties Encountered in Performing the Audit*

The auditor is required to communicate any serious difficulties encountered in dealing with management related to the performance of the audit.

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

4. *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report.

**We are pleased to report that no such disagreements arose during the course of our audit.**

5. *Management Representations*

The auditor is required to obtain certain representation from management.

**We requested certain representations from management to us which are included in the management representation letter.**

6. *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 Authority's financial statements or a determination of the type of auditor's 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.**

7. *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 Authority's auditors.

**However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.**

8. *Other Matters*

We applied certain limited procedures to the management's discussion and analysis, schedules of contributions and proportionate share of the net pension liability (asset) and the schedule of changes in total OPEB liability and related ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

8. *Other Matters (Continued)*

We were engaged to report on the schedule of expenditures of federal awards, the supplemental schedule of revenue, expenses, and change in net position by department and the schedule of North Country Economic Development Fund Activity, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America and Uniform Guidance, and that the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

9. *Restricted Use*

This information is intended solely for the use of the board of directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Bonadio & Co., LLP*

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