

MANAGEMENT COMMENT LETTER

Board of Directors
Cortland County Development Corporation
Cortland, New York

In planning and performing our audit of the financial statements of the Cortland County Development Corporation (the Corporation) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

DISCUSSION ITEM

Impact of Accounting Standard Updates (ASUs) of the Financial Accounting Standards Board (FASB)

In August 2016, FASB issued ASU No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." The main provisions of this update, which amend the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities, require a not-for-profit entity (NFP) to present:

- Amounts for two classes of net assets and changes in net assets rather than the currently required three classes of net assets. Net assets with donor restrictions and net assets without donor restrictions replace the unrestricted, temporarily restricted, and permanently restricted net asset classifications.

- Expenses in both natural and functional classifications, and the methods used to allocate costs among program and support functions.
- On the Statement of Cash Flows the net amount for operating cash flows using either the direct or indirect method of reporting, but no longer requires the “indirect method reconciliation” if using the direct method.
- Investment return net of external and direct internal investment expenses, but no longer requires disclosure of these netted expenses.
- Gifts restricted for the acquisition or construction of long-lived assets are no longer allowed to be released over time; they must be released when the asset is placed in service (unless there are explicit donor stipulations).
- Endowments that have a current fair value less than the original gift amount (or amount required to be retained by donor or by law), known as "underwater" endowments, will now be classified in net assets with donor restrictions, instead of the current classification in unrestricted net assets. Expanded disclosures will be required.
- Enhanced footnote disclosures will be required for:
 - governing board designations,
 - composition of net assets with donor restrictions,
 - qualitative information on how the NFP manages its liquid resources,
 - quantitative and qualitative information that communicates the availability of an NFP’s financial assets to meet cash needs for general expenditures in the next year.

ASU 2016-14 is effective for years beginning after December 15, 2017, applied on a retrospective basis.

We would like to thank you and your staff for their cooperation and support given to us during the course of the audit. We appreciate the opportunity to be of service to you and look forward to our continued involvement.

This communication is intended solely for the information and use of the Board of Directors and management of the Cortland County Development Corporation and others within the Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Insero & Co. CPAs, LLP
 Certified Public Accountants

Ithaca, New York
 February 26, 2018