

Orleans County Local Development Corporation

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OCLDC Audit Committee Agenda Thursday June 1, 2023 at 8:30 AM

Updated: 03/23/22

- **Call OCLDC Audit Committee meeting to order-Chair**
- **Roll Call** – Calling of Committee members, announcement as to whether a quorum is present
- **Approval of Previous Board Meeting Minutes**
 - *None- Motion*
- **Financials**
 - **Review of the 2022 Financials/Audit Report for the OCLDC (Separate handout)-David Gabel EFPR-
*Motion to/not to recommend to Board***
- **Legal-None**
- **Executive Session – If Required – Motion (Including invitees)**
 - *Close-Executive Session – Motion*
 - *Action on any matters from executive session – Motion*
- **Loans/Grants**
 - No Report -
- **Old Business**
 - None
- **New Business**
 - *Recommend or not recommend the approval of the Audit Committee Charter - Motion*
- **Motion to adjourn**

THE ORLEANS COUNTY
LOCAL DEVELOPMENT CORPORATION

Financial Statements and
Independent Auditors' Report

December 31, 2022 and 2021

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THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Orleans County Local Development Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Orleans County Local Development Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of December 31, 2022 and 2021, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated , 2023 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 Corporation's internal control over financial reporting and compliance.

Williamsville, New York
, 2023

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THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Financial Position

December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and equivalents	\$ 100,627	42,182
Grants receivable	20,036	61,726
Loans receivable - current installments	<u>29,389</u>	<u>27,370</u>
Total current assets	150,052	131,278
Loans receivable, less current installments	<u>25,920</u>	<u>52,943</u>
Total assets	<u>\$ 175,972</u>	<u>184,221</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable	22,326	23,976
Net assets with donor restrictions	<u>153,646</u>	<u>160,245</u>
Total liabilities and net assets	<u>\$ 175,972</u>	<u>184,221</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Activities

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Grant revenue	\$ 88,573	151,673
Program income - interest and penalties on loans	4,705	2,160
Other income	161	1,347
	<u>93,439</u>	<u>155,180</u>
Total revenue		
Expenses:		
Grant expense	75,420	151,630
Management and general:		
Bank service charges	30	180
Printing and reproduction	284	-
Professional fees	-	2,500
Legal fees	6,666	15,843
Travel and entertainment	228	640
Office supplies	247	28
Accounting	1,095	800
Consulting	4,316	11,299
Program expense	7,739	1,866
Supplies	68	-
Marketing	1,615	935
Miscellaneous	2,330	1,046
	<u>24,618</u>	<u>35,137</u>
Total management and general		
Total expenses	<u>100,038</u>	<u>186,767</u>
Change in net assets with donor restrictions	(6,599)	(31,587)
Net assets with donor restrictions at beginning of year	<u>160,245</u>	<u>191,832</u>
Net assets with donor restrictions at end of year	<u>\$ 153,646</u>	<u>160,245</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets with donor restrictions	\$ (6,599)	(31,587)
Adjustments to reconcile change in net assets with donor restrictions to net cash used in operating activities - changes in:		
Due from County of Orleans Industrial Development Agency	-	25,000
Grants receivable	41,690	(61,726)
Accounts payable	<u>(1,650)</u>	<u>20,751</u>
Net cash used in operating activities	33,441	(47,562)
Cash flows from investing activities - collections of loans receivable	<u>25,004</u>	<u>30,872</u>
Net change in cash and equivalents	58,445	(16,690)
Cash and equivalents at beginning of year	<u>42,182</u>	<u>58,872</u>
Cash and equivalents at end of year	<u>\$ 100,627</u>	<u>42,182</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Orleans County Local Development Corporation (the Corporation) was incorporated in September 1993 under the State of New York Not-for-Profit Law and Article 8, Title 8 of the Public Authorities Law. The Corporation was incorporated for the purpose of encouraging the location and expansion of industrial and manufacturing facilities, the creation of new and improved job opportunities, the reduction of unemployment and the betterment of individual and community prosperity within the County of Orleans, New York.

(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 reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Corporation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations and either expire by passage of time or can be fulfilled by actions of the Corporation. The Corporation had only net assets with donor restrictions in 2022 and 2021.

(d) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash

For the purposes of reporting cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Loans Receivable and Allowance for Doubtful Loans

Loans receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income and commitment fees on loans are accrued as earned. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

(g) Fair Value Measurements

A framework has been established for measuring fair value of loans receivable. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements, Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(h) Deferred Revenue and Revenue Recognition

Grant awards accounted for as conditional contributions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue. The Corporation had no deferred revenue at December 31, 2022 and 2021.

(i) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(j) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(2) Liquidity

The Company has approximately \$150,052 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$100,627 of cash and equivalents, \$20,036 of grants receivable, and \$29,389 of loans receivable. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2022 statement of financial position.

Additionally, the Company manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can easily be predicted since they are comprised mostly of loan payments. Cash outflows are planned accordingly so as not to exceed those expected inflows.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(3) Concentrations of Credit Risk

The Corporation provides funds under a revolving loan program to businesses located within the boundaries of the municipality of the County of Orleans, New York. The Corporation performs ongoing credit evaluations of its loans.

(4) Related Party Transactions

The Corporation has a related party relationship with the County of Orleans Industrial Development Agency (COIDA) and Orleans Land Restoration Corporation (OLRC). All three entities are managed by the same personnel. COIDA allocates a portion of its personnel costs to the Corporation. These costs amounted to \$3,816 and \$2,560 for the years ended December 31, 2022 and 2021, respectively.

(5) Loans Receivable

Loans receivable, which are considered level 3 assets at December 31, 2022 and 2021 are summarized as follows:

<u>Term</u>	<u>Borrower</u>	<u>Interest rate</u>	<u>2022</u>	<u>2021</u>
5 years	Fastfitness for Women, Inc. (2013)	2.4375%	\$ 2,550	4,250
10 years	Rachael and Rob's Wildwood			
	Lake Family Campgrounds, Inc.	3.0000%	21,230	26,790
7 years	Shirt Factory Cafe	2.4380%	7,195	9,523
5 years	Gallo's Hauling	0.0000%	10,000	17,333
5 years	DC Hauling	0.0000%	9,334	15,167
5 years	Laura Loxley Vintage Inspired Goods	0.0000%	<u>5,000</u>	<u>7,250</u>
	Total loans		55,309	80,313
	Less current installments		<u>(29,389)</u>	<u>(27,370)</u>
	Loans receivable, less current installments		\$ <u>25,920</u>	<u>52,943</u>

The table below sets forth a summary of changes in the fair value of the Corporation's level 3 assets (loans receivable) for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 80,313	111,185
Less amounts repaid	<u>(25,004)</u>	<u>(30,872)</u>
Balance at end of year	\$ <u>55,309</u>	<u>80,313</u>

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements, Continued

(5) Loans Receivable, Continued

A summary of current, past due and nonaccrual loans as of December 31, 2022 and 2021 is as follows:

<u>Year ended</u>	<u>Current</u>	<u>30 -90 days past due</u>	<u>Nonaccrual</u>	<u>Total</u>
December 31, 2022	\$ <u>55,309</u>	<u>-</u>	<u>-</u>	<u>55,309</u>
December 31, 2021	\$ <u>80,313</u>	<u>-</u>	<u>-</u>	<u>80,313</u>

Management has not established an allowance for doubtful loans as all loans are current at December 31, 2022 and 2021.

INDEPENDENT AUDITORS' 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

The Board of Directors
The Orleans County Local Development 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 Orleans County Local Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated _____, 2023.

Report on 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) as a basis for designing 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 Corporation'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williamsville, New York
, 2023

REPORT TO THE BOARD

, 2023

The Board of Directors
The Orleans County Local Development Corporation

Dear Board Members:

We have audited the financial statements of The Orleans County Local Development Corporation (the Corporation) for the year ended December 31, 2022, and have issued our report thereon dated , 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, 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

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. 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 2022. We noted no transactions entered into by the Corporation 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.

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. 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.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were material misstatements detected as a result of our audit procedures. These adjustments were conveyed to and accepted by management and have been recorded in the financial statements.

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' reports. We are pleased to report that no such disagreements arose during the course of our audits.

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.

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 of our retention.

The Board of Directors
The Orleans County Local Development Corporation
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This information is intended solely for the use of the Board of Directors and management of The Orleans County Local Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

EFPR GROUP, CPAs, PLLC

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Adopted June 2, 2010

**THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
AUDIT COMMITTEE CHARTER**

This Audit Committee Charter was adopted by the Board of Directors of The Orleans County Local Development Corporation (the "Authority"), a not-for-profit corporation established under the laws of the State of New York, on this 2nd day of June, 2010. This Charter shall be read in conjunction with Article VII, Section 2 of the Authority's by-laws and, in the event of any conflict, this Charter shall control.

Purpose

Pursuant to Article VII, Section 2 of the Authority's by-laws, the purpose of the audit committee shall be to (1) assure that the Authority's Board fulfills its responsibilities for the Authority's external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors and the Board of Directors.

Powers of the Audit Committee

It shall be the responsibility of the audit committee to:

- Recommend the appointment of, compensate and oversee the work of any public accounting firm employed by the Authority.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from Authority employees, all of who should be directed by the Board to cooperate with committee requests.
- Meet with Authority staff, independent auditors or outside counsel, as necessary.

The Authority's Board will ensure that the audit committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The audit committee shall be established as set forth in and pursuant to Article VII, Section 2 of the Authority's by-laws. The audit committee shall consist of at least three members of the Board of Directors who are "independent members" within the meaning of, and to the extent required by, Section 2825 of the New York Public Authorities Law, as amended from time to time. The Authority's Board will appoint the audit committee members and the audit committee chair. The members of the audit committee shall be familiar with corporate financial and accounting practices and shall possess the necessary skills to understand the duties and functions of the audit committee.

Audit committee members shall be prohibited from being an employee of the Authority or an immediate family member of an employee of the Authority. In addition, audit committee members shall not engage in any private business transactions with the Authority or receive compensation from any private entity that has material business relationships with the Authority, or be an immediate family member of an individual that engages in private business transactions with the Authority or receives compensation from an entity that has material business relationships with the Authority.

Meetings

The audit committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the Charter.

Members of the audit committee are expected to attend each committee meeting, in person or via videoconference. The audit committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The audit committee will meet with the Authority's independent auditor at least annually to discuss the financial statements of the Authority.

Meeting agendas will be prepared for every meeting and provided to the audit committee members along with briefing materials five (5) business days before the scheduled audit committee meeting. The audit committee will act only on the affirmative vote of a majority of the members at a meeting. Minutes of these meetings will be recorded.

Responsibilities

The audit committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) oversight of management's internal controls, compliance and risk assessment practices; (c) special investigations and whistleblower policies; (d) miscellaneous issues related to the financial practices of the Authority; and (e) the review of proposals for the issuance of debt by the Authority and making recommendations regarding such proposed debt issuance.

A. Independent Auditors and Financial Statements

The audit committee shall:

- Recommend the appointment of, compensate and oversee independent auditors retained by the Authority and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Authority's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the audit committee or the Board of Directors. Non-audit services include tasks that directly support the Authority's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Authority, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and approve the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.

Adopted June 2, 2010

- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

B. Internal Controls, Compliance and Risk Assessment

The audit committee shall:

- Review management's assessment of the Authority's internal controls and review the actions taken by management on the suggestions of the independent accountants and auditors for correcting weaknesses, if any, in the Authority's internal controls, regulatory compliance, organizational structure and operations and, if applicable, any weaknesses noted.
- Ensure that the Authority has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations or corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers or employees of the Authority or any persons having business dealings with the Authority or breaches of internal control, in accordance with the Authority's Whistleblower Policy.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation.

D. Other Responsibilities of the Audit Committee

The audit committee shall:

- Present annually to the Authority's Board a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- Obtain any information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Review the committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board of the Authority. The audit committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with this Charter and request Board approval for proposed changes.

E. Debt Issuance

The audit committee shall review proposals for the issuance of debt and make recommendations regarding such proposed debt issuance.