

COUNTY OF DELAWARE
INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF
DELAWARE COUNTY, NEW YORK)

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2012

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Delaware Industrial Development Agency
Delhi, New York

Report on the Financial Statements

We have audited the accompanying statement of net position of County of Delaware Industrial Development Agency (the "IDA") (a component unit of Delaware County, New York) and the Delaware County Local Development Corporation (the "LDC"), as of December 31, 2012, and the related statement of revenues, expenses and changes in net position, and statement of cash flows and the related notes for the year then ended.

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 audit. We conducted our audit 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 IDA's and LDC'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 IDA's and LDC'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 respective financial position of the IDA and LDC's as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management Discussion & Analysis on Page 4 – 7 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, and 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 method 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.

Our audit was conducted for the purpose of forming an opinion on the IDA and LDC's financial statements as a whole. The supplemental information on Page 22 in the other financial information section is presented for purposes of auditing analysis and is not a required part of the financial statements, but is supplemental information that is required by the Office of New York State Comptroller. The supplementary information in the accompanying schedules on Pages 23 and 24 in the other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2013 on our consideration of the IDA and LDC'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 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 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 IDA and LDC's internal control over financial reporting and compliance.

Oneonta, New York
May 7, 2013

Mistert, Manzanero & Scott, LLP

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the County of Delaware Industrial Development Agency (the "IDA") (a component unit of Delaware County, New York), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the IDA for the fiscal year ended December 31, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

The Delaware County Local Development Corporation ("LDC"), a non-profit organization that shares its constituency, membership and purpose, is included in this discussion and analysis. There are no separately issued financial statements.

Budget

The IDA and LDC depend on grants, with a minimal amount of operating income, to extend its programs. The IDA and LDC file for various grants and loans to provide economic development assistance in Delaware County, notably the United States Department of Housing and Urban Development, the United States Department of Agriculture, and NYS Office of Community Renewal. However, the funding of these grants is not assured at the beginning of the year. Because the IDA and LDC do not know how much funding will be received during any year, how many loan applications will be approved, and what programs can be made available, the IDA and LDC cannot project the amount that it can use for its programs to project an accurate budget. The IDA and LDC strictly adheres to financial procedures and requirements of New York State General Municipal Law, Article 18A, and its own bylaws, as audited by our accountants at Mostert, Manzanero & Scott, LLP.

Overview of the Financial Statements

This discussion and analysis accompanies the IDA's financial statements, including the LDC, notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

The IDA's financial statements, including the LDC, provide readers with a comprehensive reporting of the IDA and LDC's 2012 transactions and balances. The difference between the assets and liabilities are reported as the net position. Increases or decreases in the net position are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

The operating loss for the IDA was (\$56,432) for fiscal year 2012. This was a decrease of (1.188%) over the prior year. Net income produced a decrease in net position of (\$55,571). At the close of fiscal year 2012, the IDA had a net position of \$3,130,893, a decrease of (1.74%) over the prior year.

Operating income for the LDC was \$57,964 for fiscal year 2012. The net income produced an increase in net position of \$58,153. At the close of fiscal year 2012, the LDC had a net position of \$1,046,728, an increase of 5.88% over the prior year.

The IDA and LDC's prime objective is to provide assistance to existing businesses and expansions and business startups with professional assistance, educational programs and loans. The loan funds are comprised of grants dedicated to this purpose and matching funds from the IDA's accumulated working capital. The revolving loan fund in each entity's statement of net position is the major asset. For the IDA's loan funds, the financial statement shows a decrease from \$1,236,090 at year-end 2011 to \$1,223,981 at year-end 2012, a net decrease of \$12,109. For the LDC's loan fund, from \$1,733,891 at year-end 2011 to \$1,574,720 at year-end 2012, a net decrease of \$159,171.

The IDA's current major capital assets consist of the following:

The remaining 3 acre parcel, with sewer and water improvements, of an original 15-acre tract, in its industrial park in Walton, New York for planned industrial locations. In 2010, the IDA purchased the former AJS Facility and is leasing the facility to John Huff Ice Cream, Inc. These projects are concurrent with the IDA's objectives of encouraging economic development in the county.

The IDA began development of a new E-Center in Margaretville, New York. Total capital outlays for the building purchase and improvements were \$261,620. The IDA received a grant for \$250,000 from the NYS Dormitory Authority in 2011 as reimbursement toward the cost of this project. This building was transferred to a non-profit organization in 2012.

During 2012, the IDA purchased three properties for the Amphenol project for a total of \$1,076,945. The IDA will receive grant money to offset a portion of the cost of this project.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2012-2011 comparative summary of the IDA's financial statements, showing the increase in net assets:

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT
AGENCY'S NET POSITION

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,592,399	\$1,154,063
Non-current assets	<u>2,482,723</u>	<u>2,043,020</u>
Total assets	<u>\$ 4,075,122</u>	<u>\$3,197,083</u>
Current liabilities	\$ 926,229	\$ 10,619
Non-current liabilities	<u>18,000</u>	<u>-</u>
Total liabilities	944,229	10,619
Net position	<u>3,130,893</u>	<u>3,186,464</u>
Total liabilities and net position	<u>\$ 4,075,122</u>	<u>\$3,197,083</u>

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AGENCY'S
CHANGES IN NET POSITION

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 391,139	\$ 647,335
Operating expenses	<u>(447,571)</u>	<u>(347,759)</u>
Operating income (loss)	(56,432)	299,576
Non-operating income:		
Investment income	<u>861</u>	<u>4,121</u>
Change in net position	(55,571)	303,697
Net position, beginning of year	<u>3,186,464</u>	<u>2,882,767</u>
Net position, end of year	<u>\$ 3,130,893</u>	<u>\$3,186,464</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2012-2011 comparative summary of the LDC's financial statement:

DELAWARE COUNTY LOCAL DEVELOPMENT
CORPORATION INC.'S NET POSITION

	2012	2011
Current assets	\$ 965,491	\$ 728,138
Non-current assets	1,342,883	1,523,254
Total assets	\$ 2,308,374	\$2,251,392
Current liabilities	\$ 34,157	\$ 33,819
Non-current liabilities	1,227,489	1,228,998
Total liabilities	1,261,646	1,262,817
Net position	1,046,728	988,575
Total liabilities and net position	\$ 2,308,374	\$2,251,392

DELAWARE COUNTY LOCAL DEVELOPMENT
CORPORATION, INC.'S CHANGES IN NET POSITION

	2012	2011
Operating revenues	\$ 666,781	\$ 742,136
Operating expenses	(608,817)	(550,765)
Operating income	57,964	191,371
Non-operating income:		
Investment income	189	953
Change in net position	58,153	192,324
Net position, beginning of year	988,575	796,251
Net position, end of year	\$ 1,046,728	\$ 988,575

Economic Factors

The management of the IDA and the LDC are not aware of any changes in economic factors or conditions since December 31, 2012 that will have any significant effect on neither the IDA nor the LDC into the future.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Glenn Nealis, Executive Director, Delaware County Industrial Development Agency, 1 Courthouse Square, Suite 4, Delhi, New York 13753.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

COMBINED STATEMENTS OF NET POSITION

December 31, 2012

	<u>Total Primary Government IDA</u>	<u>Component Unit LDC</u>	<u>Reporting Entity Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 884,343	\$ 721,727	\$ 1,606,070
Restricted cash	147,310	-	147,310
Accounts receivable	110,269	-	110,269
Prepaid insurance	1,283	-	1,283
Due from other governments - Delaware County	-	9,604	9,604
Due from (to) LDC	(2,323)	2,323	-
Current portion of loans receivable	451,517	231,837	683,354
Total current assets	<u>1,592,399</u>	<u>965,491</u>	<u>2,557,890</u>
Capital assets, net	1,710,259	-	1,710,259
Long-term portion of loans receivable, net of allowance for bad debts of \$93,100 (IDA) and \$69,000 (LDC)	<u>772,464</u>	<u>1,342,883</u>	<u>2,115,347</u>
Total assets	<u>\$ 4,075,122</u>	<u>\$ 2,308,374</u>	<u>\$ 6,383,496</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accounts payable	\$ 108,960	\$ -	\$ 108,960
Current portion of debt	817,269	34,157	851,426
Total current liabilities	<u>926,229</u>	<u>34,157</u>	<u>960,386</u>
Long-term liabilities:			
Due to FHA	18,000	-	18,000
Long-term debt	<u>-</u>	<u>1,227,489</u>	<u>1,227,489</u>
Total liabilities	<u>944,229</u>	<u>1,261,646</u>	<u>2,205,875</u>
Net position:			
Investment in capital assets, net of debt	766,030	-	766,030
Restricted for loans	1,223,981	1,574,720	2,798,701
Unrestricted	<u>1,140,882</u>	<u>(527,992)</u>	<u>612,890</u>
Total net position	<u>\$ 3,130,893</u>	<u>\$ 1,046,728</u>	<u>\$ 4,177,621</u>

See accompanying notes.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2012

	Total Primary Government IDA	Component Unit LDC	Reporting Entity Totals
Operating revenues:			
County of Delaware	\$ 216,750	\$ -	\$ 216,750
Grant income	-	588,067	588,067
Interest income and late fees	50,699	67,162	117,861
Contributions	108,000	-	108,000
Miscellaneous	2,243	-	2,243
Transfer from IDA	-	5,000	5,000
Parade income	-	6,552	6,552
Loss from sale land	(8,203)	-	(8,203)
Rental income	21,650	-	21,650
Total operating revenues	<u>391,139</u>	<u>666,781</u>	<u>1,057,920</u>
Operating expenses:			
Pilot Program	26,000	-	26,000
Depreciation	15,150	-	15,150
Insurance	3,607	1,728	5,335
Interest expense and bank charges	11,353	19,200	30,553
Grants and sponsorships	23,336	580,615	603,951
Miscellaneous	4,725	341	5,066
Professional fees	8,004	1,133	9,137
Promotional/marketing	930	-	930
Bad debt	72,496	-	72,496
Parade expense	-	5,800	5,800
FHA repayments	18,000	-	18,000
E-Center program expenses	2,350	-	2,350
Donation of property- E center	261,620	-	261,620
Total operating expenses	<u>447,571</u>	<u>608,817</u>	<u>1,056,388</u>
Operating income (loss)	<u>(56,432)</u>	<u>57,964</u>	<u>1,532</u>
Non-operating revenue and expenses:			
Investment interest	861	189	1,050
Net income (loss)	(55,571)	58,153	2,582
Net position, beginning of year	<u>3,186,464</u>	<u>988,575</u>	<u>4,175,039</u>
NET POSITION, END OF YEAR	<u>\$ 3,130,893</u>	<u>\$ 1,046,728</u>	<u>\$ 4,177,621</u>

See accompanying notes.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2012

	Total Primary Government IDA	Component Unit LDC	Reporting Entity Totals
Cash flows from operating activities:			
Cash received from grants and donations	\$ 324,750	\$ 588,067	\$ 912,817
Cash received from services provided	18,150	5,000	23,150
Payments received on loans	222,876	251,333	474,209
Other revenue received	2,243	6,552	8,795
Other operating payments	(42,392)	(28,202)	(70,594)
Issuance of loans	(225,500)	(25,000)	(250,500)
Grants issued	(14,675)	(580,615)	(595,290)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>285,452</u>	<u>217,135</u>	<u>502,587</u>
Cash flows from non-capital financing activities:			
Payments on debt between entities	-	(3,566)	(3,566)
Transfers between entities	3,023	(3,023)	-
Proceeds from USDA loan	-	32,588	32,588
Payments on USDA loan	-	(33,759)	(33,759)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>3,023</u>	<u>(7,760)</u>	<u>(4,737)</u>
Cash flows from capital and related financing activities:			
Line of credit	817,269	-	817,269
Proceeds sale of land	49,993	-	49,993
Land costs	(1,934)	-	(1,934)
Amphenol project	(1,058,895)	-	(1,058,895)
NET CASH USED IN CAPITAL ACTIVITIES	<u>(193,567)</u>	<u>-</u>	<u>(193,567)</u>
Cash flows from investing activities:			
Investment income	<u>861</u>	<u>189</u>	<u>1,050</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>861</u>	<u>189</u>	<u>1,050</u>
Increase in cash and cash equivalents	95,769	209,564	305,333
Cash at beginning of year	<u>935,884</u>	<u>512,163</u>	<u>1,448,047</u>
Cash at end of year	<u>\$ 1,031,653</u>	<u>\$ 721,727</u>	<u>\$ 1,753,380</u>

See accompanying notes.

	Total Primary Government IDA	Component Unit LDC	Reporting Entity Totals
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income	\$ (56,432)	\$ 57,964	\$ 1,532
Non cash donation-E center	261,620	-	261,620
Depreciation	15,150	-	15,150
Loss from sale of land	8,203	-	8,203
Bad debt allowance	66,300	-	66,300
Changes in assets and liabilities:			
Increase in accounts receivable	(72,508)	-	(72,508)
Decrease in prepaid expense	969	-	969
(Increase) in loans receivable	(54,191)	159,171	104,980
Increase in accounts payable & other payables	116,341	-	116,341
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 285,452</u>	<u>\$ 217,135</u>	<u>\$ 502,587</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 1 ORGANIZATION

Primary Government

The County of Delaware Industrial Development Agency (the "IDA"), in Delhi, New York, is a public benefit corporation established June 17, 1971, under the mandate of Article 18-A, "New York State Industrial Development Agency Act", of New York State general municipal law.

The IDA was established to attract new industry to the County, to encourage plant modernization, to create job opportunities for the citizens of Delaware County, and to promote commerce and industry.

The IDA's function is to authorize the issuance of industrial bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing (See Page 22 for information on outstanding bonds).

The IDA is a component unit of Delaware County, New York, based on the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 and as amended by GASB No. 39. The criteria includes financial dependency (Delaware County reimburses substantially all of the IDA's operating expenditures), financial accountability (the IDA must submit all financial reports to Delaware County) and oversight responsibility (certain of Delaware County's Board of Supervisors are members of the IDA's Board of Directors).

Component Unit

The decision to include a potential component unit in the reporting entity is also based on the criteria set forth in GASB Statement No. 14, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Delaware County Local Development Corporation, Inc. (the "LDC") is considered a component unit. The LDC is a non-profit organization and shares its constituency, membership and purpose with the IDA. LDC was incorporated in August 1998, and became active during the year ended December 31, 2000. There are no separately issued financial statements for the LDC.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The IDA and LDC's financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred, fixed assets and land are recorded at cost. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd.) -The following is a summary of the significant accounting policies followed in the preparation of the IDA and LDC's financial statements. The accounting policies of the IDA and LDC conform to generally accepted accounting principles (GAAP) in the United States of America. The IDA and LDC reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents – For the purposes of presenting the statement of cash flows, the IDA and LDC considers all demand deposits, time and savings accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents. Certificates of deposits are stated at cost plus accrued interest receivable. Such basis approximates market.

Allowance for Uncollectible Amounts – Notes receivable are recorded at their full value. Uncollectible accounts are charged to expenditures using the reserve method. The allowance for uncollectible accounts was \$93,100 and \$69,000 for the IDA and LDC, respectively, as of December 31, 2012.

Use of Estimates – The preparation of financial statements in conformity with GAAP 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 reported period. Actual results could differ from those estimates.

Federal Income Taxes – The IDA is an entity that is operated by a governmental organization and is exempt from Federal, State and local income taxes.

The LDC is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and similar New York State laws and, as such, is not subject to Federal or State income taxes. In addition, the IDA and LDC qualifies for the charitable contribution deduction under Section 170(b)(a)(2) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The LDC reviews the components of revenues, gains, and other support and analyzes whether the position that the organization takes with regard to a particular item of income would meet the definition of an uncertain tax position under GAAP.

The LDC files information tax returns in the U.S. federal jurisdiction and New York State jurisdiction. The tax years that remain subject to examination by authorities are generally the previous three years.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Industrial Revenue Bond and Note Transactions – Certain industrial development revenue bonds and notes issued by the IDA are secured by property that is leased to companies. The bonds and notes are not obligations of the IDA or the State of New York. The IDA does not record the assets or a liability resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the IDA receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. Since its inception, the IDA has issued various bonds under these and similar arrangements (See page 22 for more information).

Grant Accounting – Pass-through grants are recorded as receivables, revenues, liabilities, and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the IDA and LDC meets performance requirements of the contracts.

Contributed Facilities and Services - The IDA and LDC, with the consent of the Board of Representatives from Delaware County, are authorized to use and has shared county employees, facilities, and equipment. The value of these facilities and services is not included within these financial statements.

The IDA and LDC are dependent upon receiving operating expense reimbursements from Delaware County, its major source of revenue.

Operating Revenue and Expenses – The statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as fee and grant revenue, result from exchange transactions associated with the principal activities of the IDA. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the IDA's principal activities (such as investment income) and from all nonexchange transactions (such as applicable grants).

In addition, the LDC administers the Delaware County Rural Business Enterprise Revolving Loan Fund under a grant awarded by the United States Department of Agriculture. Funds are received by the LDC by request at the time of approval of the loan.

Buildings are depreciated using the straight line method of accounting over the assets estimated useful live of 39 years. Depreciation amounted to \$15,150 in 2012.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Net Position – The IDA and LDC reports its net position in three components. Net investment in capital assets are equal to amounts reported for capital assets, net of related debt and accumulated depreciation plus deferred outflows of resources less deferred inflow of resources related to those assets. Restricted net position are reported when assets (net of related debt) can only be used for a specified purpose that is established by grantors, contributors, laws or regulations governing the IDA and LDC. For this reason, all restricted net position is considered expendable. Unrestricted net position are all other IDA and LDC net assets that do not meet the definitions of invested in capital position or restricted net assets.

Events Occurring After Reporting Date – Subsequent events were evaluated through May 7, 2013, which is the date the financial statements were available to be issued.

NOTE 3 CASH AND CASH EQUIVALENTS

State statutes require that collateral be pledged for demand deposits, time deposits, and certificates of deposit at 100% of deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Obligations that may be pledged as collateral are obligations of the U.S. Treasury and its agencies, obligations of the State and its municipalities, school district debt, irrevocable letters of credit and surety bonds issued by State authorized insurance companies.

The financial institutional balances, which aggregated \$1,764,195 at December 31, 2012, are covered by the FDIC or collateralized by securities.

NOTE 4 FEDERAL AND STATE AID CONTINGENCIES

The IDA and LDC has received Federal and State Aid and Grants that are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The IDA and LDC believe disallowances, if any, will be immaterial.

NOTE 5 LOANS RECEIVABLE

Loans Receivable-HUD, Micro, and GOSC - the IDA

The IDA administers the HUD, Micro, and Governors' Office for Small Cities (GOSC) Grant program on behalf of Delaware County. The IDA was awarded grants through the United States Department of Housing and Urban Development and the GOSC, which was then sub-granted to the IDA.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 5 LOANS RECEIVABLE (Cont'd.)

The activity for the year ended December 31, 2012 is as follows:

<u>Borrower</u>	<u>01/01/2012</u> <u>Principal</u>	<u>Advances</u>	<u>Write Offs/ Repayments</u>	<u>12/31/2012</u> <u>Principal</u>
53535 Main St. Corp – Cassie	\$ 11,322	\$ -	\$ (11,322)	\$ -
53535 Main St. Corp – Cassie	-	35,000	(4,178)	30,822
A – 1 Home Improvements	37,073	-	(10,502)	26,571
Benkrom West Brach Collision	-	35,000	(515)	34,485
Bibliobarn	8,943	-	(3,820)	5,123
Binnekill Square Realty, LLC	19,333	-	(3,103)	16,230
Brookside Hardware	21,462	-	(10,463)	10,999
Cardio Club 2	-	25,000	(161)	24,839
Cardio Club	22,496	-	(5,830)	16,666
Catskill Country Market	6,382	-	(6,382)	-
Conklin Farm & Forest	-	7,500	(110)	7,390
Delaware Phoenix Distiller	20,340	-	(5,911)	14,429
Eklunds Processing, Inc.	166,702	-	(12,451)	154,251
Hogans General Store	4,000	-	(4,000)	-
JenLid, LLC	80,000	-	(1,033)	78,967
JenLid, LLC	150,000	-	(1,936)	148,064
Lucky Dog Farm Shop	10,331	-	(6,423)	3,908
Lucky Dog – Hamden Inn	8,806	-	(922)	7,884
Masserson Properties	13,637	-	(2,340)	11,297
Precision Cuts	1,569	-	(1,569)	-
ROMO, LLC	13,219	-	(2,139)	11,080
ROMO, LLC	13,219	-	(2,140)	11,079
Roxbury Mt. Maple	21,636	-	(4,686)	16,950
Roxbury Mt. Maple	28,000	-	(4,624)	23,376
Santo Punturiero	1,384	-	(1,384)	-
Skyland Supply and Rental	53,375	-	(6,119)	47,256
Susan Decker	21,254	-	(4,706)	16,548
Sweet Peas	31,675	-	(2,794)	28,881
The Auk	2,948	-	(2,948)	-
The Coffee Pot	40,000	-	-	40,000
The Green Giraffe	12,606	-	(3,859)	8,747
The Market Basket	13,888	-	(1,200)	12,688
Thomas Collier	10,404	-	(2,952)	7,452
Walton Liquor	3,248	-	(3,248)	-
Work in Progress Fabrications	7,204	-	(1,777)	5,427
	<u>\$ 856,456</u>	<u>\$ 102,500</u>	<u>\$ (137,547)</u>	<u>821,409</u>
Less: Current portion				<u>(401,848)</u>
Long term receivable				<u>\$ 419,561</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 5 LOANS RECEIVABLE (Cont'd.)

Loans Receivable-Revolving Loan Funds (RLF) – the LDC

Revolving loan funds allow the LDC to offer low interest loans to area businesses creating jobs in Delaware County. The proceeds of the loans are used to offer new loans once the loans have been paid in full. The activity for the year ended December 31, 2012 is as follows:

<u>Borrower</u>	<u>01/01/2012 Principal</u>	<u>Advances</u>	<u>Write Offs/ Repayments</u>	<u>12/31/2012 Principal</u>
Catskill Country Furniture	\$ 41,528	\$ -	\$ (3,269)	\$ 38,259
Enviro Energy	62,302	-	(6,581)	55,721
Hobart Market	34,756	-	(2,891)	31,865
Louis Pesout – Delhi Diner	8,318	-	(8,318)	-
Lucky Dog - Hamden Inn	48,704	-	(1,985)	46,719
Margaretville Lodging	14,962	-	(10,178)	4,784
Masserson #2	38,599	-	(1,159)	37,440
Second Nature Construction	168,162	-	(9,634)	158,528
Sportsfield Specialties	18,885	-	(8,237)	10,648
WB Delhi, LLC	<u>319,975</u>	<u> </u>	<u> </u>	<u>319,975</u>
	<u>\$ 756,191</u>	<u>\$ -</u>	<u>\$ (52,252)</u>	<u>703,939</u>
Less: Current portion				<u>(90,923)</u>
Long-term receivable				<u>\$ 613,016</u>

Loans Receivable – TIER Revolving Loan fund – the LDC

In 2008, the LDC was awarded the revolving loan funds from TIER Information & Enterprise Resources, Inc. of Binghamton, New York. The proceeds of the loans are used to offer new loans once the outstanding loans have been paid in full. The activity for the year ended December 31, 2012 is as follows:

<u>Borrower</u>	<u>01/01/2012 Principal</u>	<u>Advances</u>	<u>Write Offs/ Repayments</u>	<u>12/31/2012 Principal</u>
Cowan Excavating, LLC	\$ 12,806	\$ -	\$ (12,806)	\$ -
Masserson #2	48,250	-	(1,448)	46,802
The Market Place	<u>18,930</u>	<u> </u>	<u> </u>	<u>13,400</u>
	<u>\$ 79,986</u>	<u>\$ -</u>	<u>\$ (19,784)</u>	<u>60,202</u>
Less: Current portion				<u>(6,764)</u>
Long term receivable				<u>\$ 53,438</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 5 LOANS RECEIVABLE (Cont'd.)

Loans Receivable- Intermediary Relending Program (IRP) – the LDC

The USDA Intermediary Relending Program (IRP) finances business facilities and community development projects. The LDC is a qualified intermediary that lends funds to beneficiaries and establishes revolving loan funds when the loans are paid back. The activity for the year ended December 31, 2012 is as follows:

<u>Borrower</u>	01/01/2012 <u>Principal</u>	<u>Advances</u>	Write Offs/ <u>Repayments</u>	12/31/2012 <u>Principal</u>
BES Manufacturing	\$ 8,890	\$ -	\$ (8,890)	\$ -
Catskill Country Furn & Floor	24,024	-	(1,170)	22,854
Delaware Spring Water	61,859	-	(8,175)	53,684
Haggerty Hardware of Walton	94,672	-	(8,679)	85,993
Haggerty Hardware of Walton	142,009	-	(13,019)	128,990
JAMs Indoor Golf	188,278	-	-	188,278
Lucky Dog - Hamden Inn	22,016	-	(2,304)	19,712
Masserson #2	28,950	-	(869)	28,081
New York State ARC	39,368	-	(4,883)	34,485
Northeast Fabricators	63,660	-	(14,891)	48,769
Renaissance Restorations	133,019	-	(13,826)	119,193
River Valley Ford	115,904	-	(13,606)	102,298
Sportsfield Specialties	44,065	-	(19,217)	24,848
Table on Ten	-	25,000	(2,606)	22,394
	<u>\$ 966,714</u>	<u>\$ 25,000</u>	<u>\$ (112,135)</u>	<u>879,579</u>
Less: Current portion				<u>(134,150)</u>
Long-term receivable				<u>\$ 745,429</u>

Other Loans Receivable – the IDA

<u>Borrower</u>	01/01/2012 <u>Principal</u>	<u>Advances</u>	Write Offs/ <u>Repayments</u>	12/31/2012 <u>Principal</u>
Catskill Development Fd.	\$ -	\$ 23,000	\$ -	\$ 23,000
Decker Advertising	71,466	-	(7,046)	64,420
Leatherstocking Realty	67,507	-	(1,244)	66,263
Shady Lady Enterprises	-	100,000	-	100,000
Sportsfield Specialties	267,461	-	(25,472)	241,989
	<u>\$ 406,434</u>	<u>\$ 123,000</u>	<u>\$ (33,762)</u>	<u>495,672</u>
Less: Current portion				<u>(49,669)</u>
Long-term receivable				<u>\$ 446,003</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 6 CAPITAL ASSETS

Capital assets as of December 31, 2012 comprised of the following:

Depreciable	<u>Accumulated Cost</u>	<u>Book Depreciation</u>	<u>Value</u>
Buildings	\$ 559,083	\$ 39,924	\$ 519,159
 Non-Depreciable			
Land	114,156	-	114,156
Amphenol Project	<u>1,076,944</u>	<u>-</u>	<u>1,076,944</u>
Total Non-Depreciable	<u>1,191,100</u>	<u>-</u>	<u>1,191,100</u>
 Capital assets, net	 <u>\$ 1,750,183</u>	 <u>\$ 39,924</u>	 <u>\$1,710,259</u>

The IDA purchased property in Margaretville, New York and developed a new E-center location. As of December 31, 2011, the IDA has invested \$56,915 to purchase this property and it incurred a total cost of \$204,705 to improve the property. The IDA received a grant in the amount of \$250,000 to offset the cost of the E-Center during 2011. The IDA transferred the E-center to a local not-for-profit on March 9, 2012.

In 2009, the Sidney IDA transferred the following properties to the IDA:

- 21 acres of vacant land located on Lower River Street, Sidney, New York with a fair market value (FMV) of \$76,000;
- A 3 bedroom ranch house on 3 acres of land located on River Street, Sidney, New York with a FMV of \$86,000.
- 3.12 acres of vacant land located on Winkler Road, Sidney, New York with a FMV of \$30,000. This property was sold in 2012.

In 1982, the IDA purchased a 15 acre industrial park in Walton, New York at a cost of \$112,500. The property was purchased for potential industrial development in connection with the issuance of IDA bonds. As of December 31, 2012, the IDA has sold 12 acres and has 3 acres left with a cost basis of \$28,156.

During the current year the IDA purchased three separate properties for the Amphenol project with a total cost of \$1,076,944. The IDA will receive grant money to offset the cost of this project. The IDA plans to turn over these properties to Amphenol upon completion of this project.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 7 RESTRICTED CASH

During 2002, the County of Delaware issued loans from grants received from the United States Department of Agriculture (USDA) and United States Department Housing and Urban Development (HUD), which are being administered by the IDA and its component unit, LDC. The IDA is administering the HUD and USDA loan programs. The LDC is administering the USDA program. The IDA collects the loan payments for the HUD program and holds them in a separate bank account. The County pays the IDA and LDC's applicable administrative costs. The balance of the repayments received which are held by the IDA as of December 31, 2012 is \$147,310 and is reflected as restricted cash. These funds are available for relending.

NOTE 8 DUE FROM OTHER GOVERNMENTS – DELAWARE COUNTY

Two of the LDC's loans receivable are paid directly to Delaware County creating an amount due from other governments. The payments are recorded as a payments received on loans receivable by the LDC. As of December 31, 2012, there was \$9,604 due from Delaware County.

NOTE 9 LOANS PAYABLE

The LDC has a \$300,000 line of credit of which \$300,000 has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually and is payable on September 19th each year. Loan payments of principal and interest in the amount of \$12,339 annually to fully amortize the loan 30 years from the date of the loan, which originated at September 19, 2003. The balance at December 31, 2012 was \$232,666.

The LDC has a \$750,000 line of credit, all of which has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually and is payable on September 26th each year. In 2012, the loan payments change to principal and interest of \$30,848 annually to fully amortize the loan 30 years from the date of the loan, September 26, 2007. The balance at December 31, 2012 was \$676,392.

The LDC has a \$750,000 line of credit with the United States Department of Agriculture for Intermediate/Microenterprise Development Lending Program. A balance of \$32,588 was advanced on this line of credit as of December 31, 2012. Interest only at 1% will be paid for the first three years. Principal and interest payments will be paid annually starting December 21, 2105, with any remaining balance due and payable 30 years from December 21, 2015.

Interest expense incurred on these three notes was \$9,554 for the year ending December 31, 2012.

The IDA has a \$1,000,000 line of credit with the Bank of Cooperstown to be used for the Amphenol project. The balance due on this line of credit at December 31, 2012 was \$817,269, which includes interest of \$11,243 payable at 3.3%.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 9 LOANS PAYABLE (Cont'd.)

Loan from NYS Office of Community Renewal

The LDC entered into a loan agreement with NYS Office of Community Renewal for \$320,000. This agreement requires the LDC to loan the funds for a business that will create jobs in Delaware County. The loan requires 60 monthly interest only payments, with the outstanding principal due on the 60th month. The loan principal may be subject to incremental reductions of 20% annually (\$64,000 a year) over the 5 year term of the note if job commitments and loan compliance is achieved for each respective year of the loan. Interest expense incurred on this note was \$9,632 for the year ending December 31, 2012.

These loans can be summarized as follows at December 31, 2012:

USDA \$750,000 Line of Credit	\$ 32,588
USDA \$300,000 Line of Credit	232,666
USDA \$750,000 Line of Credit	676,392
NYS Office of Community Renewal	320,000
Bank of Cooperstown Line of Credit	<u>817,269</u>
Loans payable, short-term	2,078,915
Less: Current portion	<u>(851,426)</u>
Total loans payable, long-term	<u>\$ 1,227,489</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

- A. The industrial park in Walton, New York was purchased at a cost of \$112,500. The Farmers Home Administration (FHA) provided IDA with \$90,000 to finance the purchase. The terms of this arrangement require that the IDA reimburse the FHA \$6,000 for each sellable acre sold. Since only 92% of the land is salable, the original contingent liability was \$82,800.

To date, 12 acres of land have been sold. The IDA sold three acres in 2012 and a liability has been recorded for \$18,000 due to FHA for this sale.

- B. As of December 31, 2012, the IDA has restricted net position of \$1,223,981, which represents the net loans receivable balance as of year-end.
- C. As of December 31, 2012, the LDC has a restricted net position in the amount of \$1,574,720, which represents the net of loans receivable at year end.
- D. Insurance – The IDA is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to related parties and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 11 RELATED PARTY TRANSACTIONS

The president of a local bank of which the IDA established a line of credit for \$1,000,000 is vice chairman of the IDA.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
 (A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF SUPPLEMENTAL BOND INFORMATION

December 31, 2012

Purchaser	Issue	Issue Date	Price	Rate	Balance	Due Date
First Albany Capital	Delaware Valley Hospital 1 Titus Place Walton, NY 13856	07/01/07	\$ 5,805,000	4.17%	\$ 4,325,000	07/01/32
Bond Purpose:	Services					
TC Bank of North America	Deposit Wood Pellet, LLC 415 Squantum Road Jaffrey, NH 03452	04/02/10	9,000,000	2.25%	7,790,148	04/01/21
Bond Purpose:	Manufacturing					

See auditors' report.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS

Year ended December 31, 2012

Project Owner Project Owner Address	Purpose	Tax Exemptions				
		Sales Tax Exemptions		Real Property Tax		
		State	Local	County	Local	School
Courier Printing Corp. Laural Bank Avenue Deposit, NY 13754	Construction	\$ -	\$ -	\$ 1,154	\$ 2,297	\$ 3,434
Arnan Development Corp. 6459 State Hwy 23 Oneonta, NY 13820	Construction	-	-	-	-	-
TEMA Enterprises 7552 State Hwy 23 Oneonta, NY 13820	Construction	-	-	774	648	2,995
Kampsites & Realty 157 Cheese Factory Road Deposit, NY 13754	Construction	-	-	498	214	1,481
Burton F. Clark, Inc. dba Clark Companies I 41155 State Road 10 Delhi, NY 13753	Construction	-	-	4,387	4,184	11,626
Octagon Farms 34055 Sate Highway 10 Walton, NY 13856	Construction	-	-	491	404	1,242
Hancock House PO Box 718 Hancock, NY 13783	Construction	-	-	2,437	7,440	3,400
Masserson Properties 2258 County Route 41 Roxbury, NY 12474	Construction	-	-	971	1,182	1,340
Leatherstocking Realty Holdings 231 North Bellinger St Herkimer, NY 13350	Acquisition	-	-	9,534	9,094	12,634
Huff Ice Cream 3 Winkler Road Sidney, NY 13838	Construction	-	-	1,385	4,376	2,769
Total		\$ -	\$ -	\$ 21,631	\$ 29,839	\$ 40,921

See auditors' report

Mortgage Recording	Total Exemptions	Payment in Lieu of Taxes			
		County	Local	School	Total
\$ -	\$ 6,885	\$ 3,461	\$ 6,890	\$ 10,406	\$ 20,757
-	-	3,928	3,856	14,551	22,335
-	4,417	2,740	2,801	10,601	16,142
-	2,193	2,488	1,258	7,472	11,218
-	20,197	1,686	2,387	4,468	8,541
-	2,137	1,528	1,490	3,951	6,969
-	13,277	3,102	9,787	12,330	25,219
-	3,493	2,747	5,513	8,332	16,592
-	31,262	9,534	11,541	37,901	58,976
-	8,530	1,107	3,534	3,210	7,851
<u>\$ -</u>	<u>\$ 92,391</u>	<u>\$ 32,321</u>	<u>\$ 49,057</u>	<u>\$ 113,222</u>	<u>\$ 194,600</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF FULL-TIME EQUIVALENT (FTE)
JOBS CREATED AND RETAINED

Year ended December 31, 2012

	<u># of FTE Employees at Project Locations Before Agency Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>
Issue:			
Delaware Valley Hospital, Inc	121	0	121
Deposit Wood Pellet, LLC	0	0	0
Project Owner:			
Courier Printing Corp.	0	10	0
Arnan Development Corp.	46	3	46
TEMA Enterprises	2	3	2
Kampsites & Realty	0	18	0
Burton F. Clark, Inc. dba Sports Edge, Inc.	8	40	8
Hancock House	0	0	0
Leatherstocking Realty Holdings LLC	80	17	80
Masseron Properties, Inc	3	2	3
Millennium Pipeline	2	0	2
Central NY Railroad	0	0	0
Huff Ice Cream	0	0	0
Octagon Enterprises	0	0	0
	<u>262</u>	<u>93</u>	<u>262</u>

See auditor's report.

<u># of Current FTE Employees</u>	<u># of FTE Jobs (Lost)/ Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
192	0	192
15	0	15
33	1	33
50	0	50
20	0	20
20	0	20
55	0	55
8	2	8
0	0	0
12	0	12
0	0	0
0	0	0
74	0	74
<u>1</u>	<u>0</u>	<u>1</u>
<u>480</u>	<u>3</u>	<u>480</u>

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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**

To the Board of Directors
County of Delaware Industrial Development Agency

We have audited in accordance with the 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 County of Delaware Industrial Development Agency (the "IDA") (a component unit of Delaware County, New York) and Delaware County Local Development Corporation (the "LDC") which comprise of the statement of net position as of and for the year ended December 31, 2012, and the related statement of revenues, expenses and changes in net position, and statement cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IDA and LDC'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IDA and LDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the IDA and LDC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the IDA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control described in the management letter.

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IDA and LDC'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 IDA and LDC'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 IDA and LDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the County of Delaware Industrial Development Agency audit committee, management, the State of New York, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oneonta, New York
May 7, 2013

Mistert, Manzanero & Scott, LLP