

**SCHUYLER COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Watkins Glen, New York

FINANCIAL REPORT

December 31, 2012

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

DECEMBER 31, 2012

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John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schuyler County Industrial Development Agency
Watkins Glen, New York

We have audited the accompanying financial statements of Schuyler County Industrial Development Agency (the Agency), a component unit of the County of Schuyler, State of New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Schuyler County Industrial Development Agency as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-2b be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2013 on our consideration of the Agency'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 the Agency's internal control over financial reporting and compliance.



March 13, 2013
Ithaca, New York

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

The Schuyler County Industrial Development Agency (the Agency), a component unit of Schuyler County, State of New York, was created in 1971 to encourage economic growth in Schuyler County.

Mission: The Schuyler County Industrial Development Agency was created to promote the prosperity of its residents through the creation of jobs (new or retained), recreational, and economic opportunities in Schuyler County. The Agency will achieve these goals through the use of various tax incentives provided by the Agency, which shall be proportional to jobs, economic activity projected, or opportunities provided to the citizens (stakeholders) of Schuyler County.

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Agency's financial position as of December 31, 2012, and the result of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

FINANCIAL HIGHLIGHTS

- Total expenses exceeded total revenues by \$(58,103) in 2012 compared to expenses exceeding revenues by \$(3,647) in 2011.
- Net position for the year ended December 31, 2012 amounted to \$938,547, reflecting a decrease of \$(58,103) from net position of \$996,650 at December 31, 2011.
- Total revenue of \$29,388 in 2012 increased from revenue of \$24,261 in 2011, due predominantly to project fees received in 2012.
- Total expenses of \$87,491 in 2012 increased from expenses of \$27,908 in 2011, primarily due to a project grant awarded in 2012.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements of the Schuyler County Industrial Development Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Agency and the financial activity and results of its operations during the year. A description of these statements follows:

The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing the change in the Agency's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement include all items that will result in cash received or disbursed in future fiscal periods.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

The Statement of Cash Flows provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, non-capital financing, capital financing, and investing activities.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's total net position for fiscal year ended December 31, 2012, decreased by \$(58,103). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Agency's activities. Certain accounts in the prior-year column have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Figure 1

Condensed Statement of Net Position	Business-type Activities and Total Agency		Total Dollar Change
	2011	2012	2011 - 2012
<i>Current assets:</i>			
Cash - Unrestricted	\$ 192,869	\$ 127,560	\$ (65,309)
Cash - Restricted	107,395	145,333	37,938
Revolving loan receivable within one year	41,087	38,655	(2,432)
Loans receivable within one year	1,396	-0-	(1,396)
Accounts receivable	-0-	5,595	5,595
<i>Noncurrent assets:</i>			
Long-term Certificates of Deposit	327,577	330,167	2,590
Revolving loan receivable in more than one year	326,601	291,237	(35,364)
Total assets	996,925	938,547	(58,378)
<i>Current liabilities:</i>			
Accounts payable	275	-0-	(275)
Total current liabilities	275	-0-	(275)
Restricted for revolving loans	475,083	480,820	5,737
Unrestricted	521,567	457,727	(63,840)
Total net position	\$ 996,650	\$ 938,547	\$ (58,103)

The increase in restricted cash and decrease in revolving loans receivable are due to the repayment of loan principle in 2012. The decreases in unrestricted cash and unrestricted net assets are mainly due to grant expense of \$50,000 and operating expenses greater than revenue received during the year.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Our analysis in *Figure 2* considers the operations of the Agency's activities.

Figure 2

Changes in Net Position	Business-type Activities and Total Agency		Total Dollar Change
	2011	2012	2011 - 2012
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 5,664	\$ 14,883	\$ 9,219
<i>Interest on loans</i>	12,028	11,005	(1,023)
<i>Non-operating Revenues:</i>			
<i>Interest and earnings</i>	6,569	3,500	(3,069)
Total revenues	24,261	29,388	5,127
<i>Operating Expenses:</i>			
<i>Contractual expenses</i>	27,908	37,476	9,568
<i>Fee expenses</i>	-0-	15	15
<i>Grant expense</i>	-0-	50,000	50,000
Total expenses	27,908	87,491	59,583
(DECREASE) IN NET POSITION	\$ (3,647)	\$ (58,103)	\$ (54,456)

Total revenues of the Agency increased \$5,127. Total expenses of the Agency increased \$59,583. The increase in fee income is due to the processing of a larger project in 2012. Expenses in 2012 increased primarily as the result of a grant provided as part of a project. The net result was a decrease in net position.

FACTORS BEARING ON THE AGENCY'S FUTURE

- There are no known factors that would have an impact on the economic climate of the community in the foreseeable future.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's clients, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Schuyler County Industrial Development Agency, at 2 North Franklin Street, Suite 330, Watkins Glen, New York 14891.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

Current Assets:

Cash - Unrestricted	\$ 127,560
Cash - Restricted	<u>145,333</u>

Total Cash	272,893
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Revolving loans receivable within one year	38,655
Accounts receivable	<u>5,595</u>

Total Current Assets	<u>317,143</u>
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Noncurrent Assets:

Long-term Certificates of Deposit	330,167
Revolving loans receivable in more than one year	<u>291,237</u>

Total Noncurrent Assets	<u>621,404</u>
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Total Assets	<u>938,547</u>
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LIABILITIES

Total Liabilities	<u>-0-</u>
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NET POSITION

Restricted for revolving loans	480,820
Unrestricted	<u>457,727</u>

Total Net Position	<u>\$ 938,547</u>
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See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Revenues:	
Fee income	\$ 14,883
Interest income - Loans	<u>11,005</u>
Total Operating Revenues	<u>25,888</u>
Operating Expenses:	
Contractual expenses	37,476
Grant expense	50,000
Fee expenses	<u>15</u>
Total Operating Expenses	<u>87,491</u>
Operating Loss	<u>(61,603)</u>
Nonoperating Revenues:	
Interest and earnings	<u>3,500</u>
Total Nonoperating Revenues	<u>3,500</u>
Net Loss	(58,103)
Net Position, January 1, 2012	<u>996,650</u>
Net Position, December 31, 2012	<u>\$ 938,547</u>

See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 14,883
Cash payments - Contractual expenses	(37,751)
Cash payments - Grant expense	(50,000)
Cash received from payment of PILOT loans receivable	1,396
Interest income received on PILOT loans	24
Cash received from revolving loan	32,201
Interest income received on revolving loan	10,981
Cash payments - Fee expense	<u>(15)</u>
Net Cash (Used) by Operating Activities	<u>(28,281)</u>
Cash Flows from Noncapital Financing Activities	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities	<u>-0-</u>
Cash Flows from Investing Activities:	
Purchase of long-term certificates of deposit	(2,590)
Interest income received	<u>3,500</u>
Net Cash Provided by Investing Activities	<u>910</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,371)
Cash and Cash Equivalents, January 1, 2012	<u>300,264</u>
Cash and Cash Equivalents, December 31, 2012	<u>\$ 272,893</u>
Reconciliation of net operating (loss) to net cash (used) by operating activities:	
Operating (Loss)	\$ (61,603)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:	
Decrease in loans receivable	37,796
Decrease in PILOT loans receivable	1,396
(Increase) in accounts receivable	(5,595)
(Decrease) in accounts payable	<u>(275)</u>
Net Cash (Used) by Operating Activities	<u>\$ (28,281)</u>

See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Schuyler County Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP). The more significant of the Agency's accounting policies are described below.

A. Organization and Purpose

The Agency was created in 1971 by the Schuyler County Legislature under the provisions of Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth in Schuyler County. The Agency is exempt from federal, state, and local income taxes. The Agency, although established by the Schuyler County Board of Representatives, is a separate entity and operates independently of the County. The Agency is considered a component unit of the County.

B. Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting.

C. Cash and Cash Equivalents

The Agency considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

D. Long-Term Certificates of Deposit

Long-term certificates of deposit consist of non-cancelable certificates of deposit with original maturity dates of three months or greater.

E. Equity Classifications

Statement of Net Position

- Net Position - Restricted
Consists of net position with constraints placed on its use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Net Position - Unrestricted
Consists of all other net position that does not meet the definition of "restricted."

F. Use of Estimates

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

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 2 - Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property leased to companies and retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, as its primary function is to arrange financing between the borrowing companies and the bond and note holders; and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2012, the outstanding value of bonds and notes issued aggregated \$1,197,692.

Note 3 - Deposits and Investments

State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Total bank balances, including long-term certificates of deposit (see Note 4), of \$603,096 at December 31, 2012 are entirely insured or collateralized with securities held by the Agency's agent in the Agency's name. The carrying value of deposits at December 31, 2012 totaled \$603,060.

Note 4 - Long-Term Certificates of Deposit

Long-term certificates of deposit consisted of the following at December 31, 2012:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Certificate of Deposit - 13 Months 0.60%	\$ 92,310	\$ 92,310	\$ -0-
Certificate of Deposit - 15 Months 0.30%	129,606	129,606	-0-
Certificate of Deposit - 6 Months 0.70%	108,251	108,251	-0-
	<u>\$ 330,167</u>	<u>\$ 330,167</u>	<u>\$ -0-</u>

Note 5 - PILOT Loans Receivable

In December 1991, the Agency entered into PILOT agreements with Zaepfel-Krog and Guthrie Clinic Ltd. for land purchased by Zaepfel-Krog. These PILOT agreements specified amounts which were to be paid to the Agency for the repayment of debt assumed by the Schuyler County Industrial Development Agency at that time. During 2007, Zaepfel-Krog paid off their share of the loan receivable. During 2012, Guthrie Clinic Ltd. paid off the remaining share of loans receivable.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 6 - Revolving Loan Receivable

During 2005, the Agency awarded a loan to Taylor Precision Machining, Inc. The loan, in the amount of \$36,000, will be repaid over a period of seven years with an interest rate of 3%, beginning February 2006.

During 2008, the Agency awarded a loan to Finger Lakes Distilling, LLC. The loan, in the amount of \$75,000, will be repaid over a period of ten years with an interest rate of 3%, beginning June 1, 2009.

The Agency also awarded a loan to Schooner Excursions during 2008. The loan, in the amount of \$125,000, will be repaid over a period of seven years with an interest rate of 3%, beginning May 1, 2009.

During 2009, the Agency awarded a loan to Montour House. The loan, in the amount of \$245,000, will be repaid over a period of fifteen years with an interest rate of 3%, beginning June 1, 2009.

The balances of the revolving loans receivable at December 31, 2012 are as follows:

	Amount
Taylor Precision Machining, Inc.	\$ 2,361
Finger Lakes Distilling, LLC.	52,533
Schooner Excursions	78,791
Montour House	196,207
 Total Revolving Loans Receivable	 329,892
 Less Current Portion	 (38,655)
 Long-term Portion	 \$ 291,237

Note 7 - Restricted Cash

The Agency issues revolving loans (see Note 6) in accordance with an agreement with the Department of Housing and Urban Development. Per this agreement, all principal and interest received as repayments on these loans are to be held separate from the activities of the Agency and used to award new loans. The amount of cash restricted per this agreement as of December 31, 2012 is as follows:

	Amount
Restricted for revolving loans at 12/31/11	\$ 107,395
Principal and interest payments received	43,182 *
Interest earned on restricted balance	51
Late fees received	125
Administrative fees paid	(5,420)
 Restricted for revolving loans at 12/31/12	 \$ 145,333

* This amount excludes monies due from REDEC for loan payments received in the amount of \$5,595.

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Certified Public Accountants and Consultants

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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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schuyler County Industrial Development Agency
Watkins Glen, New York

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 Schuyler County Industrial Development Agency (the Agency), a component unit of the County of Schuyler, State of New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
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607-535-4443
fax 607-535-6220

Compliance and Other Matters

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

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Mickelson & Company, LLP". The signature is written in a cursive style.

March 13, 2013
Ithaca, New York