

**SCHUYLER COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Watkins Glen, New York

FINANCIAL REPORT

December 31, 2013

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Schuyler County Industrial Development Agency (the Agency), a component unit of the County of Schuyler, New York, as of and for the year ended December 31, 2013, which collectively comprise the Agency's basic financial statements as listing in the table of contents, and the related notes to the financial statements.

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 entity'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 entity'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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Schuyler County Industrial Development Agency as of December 31, 2013, and the changes in financial position and cash flows 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 3 through 3b 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 consider 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, 2014, 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.



Ithaca, New York
March 13, 2014

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013, 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

- During the year, the Agency purchased commercial property for \$275,000. At year-end, there was a re-sale of the property pending.
- Total expenses exceeded total revenues by \$(47,870) in 2013 compared to expenses exceeding revenues by \$(58,103) in 2012.
- Net position for the year ended December 31, 2013 amounted to \$890,677, reflecting a decrease of \$(47,870) from net position of \$938,547 at December 31, 2012.
- Total revenue of \$13,550 in 2013 decreased from revenue of \$29,388 in 2012, due predominantly to project fees received in 2012.
- Total expenses of \$61,420 in 2013 decreased from expenses of \$87,491 in 2012, 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 and activity of the Agency 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.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

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, 2013, decreased by \$(47,870). 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

<i>Condensed Statement of Net Position</i>	<i>Business-type Activities and Total Agency</i>		<i>Total Dollar Change</i>
	<i>2012</i>	<i>2013</i>	<i>2012 - 2013</i>
<i>Current Assets:</i>			
<i>Cash - Unrestricted</i>	\$ 127,560	\$ 38,453	\$ (89,107)
<i>Cash - Restricted</i>	145,333	191,304	45,971
<i>Revolving loan receivable within one year</i>	38,655	37,787	(868)
<i>Accounts receivable</i>	5,595	3,467	(2,128)
<i>Property held for sale</i>	-0-	275,000	275,000
<i>Noncurrent assets:</i>			
<i>Long-term Certificates of Deposit</i>	330,167	92,911	(237,256)
<i>Revolving loan receivable in more than one year</i>	291,237	254,061	(37,176)
<i>Total Assets</i>	<i>938,547</i>	<i>892,983</i>	<i>(45,564)</i>
<i>Current Liabilities:</i>			
<i>Accounts payable</i>	-0-	2,306	2,306
<i>Total Current Liabilities</i>	<i>-0-</i>	<i>2,306</i>	<i>2,306</i>
<i>Restricted for revolving loans</i>	480,820	484,313	3,493
<i>Unrestricted</i>	457,727	406,364	(51,363)
<i>Total Net Position</i>	<i>\$ 938,547</i>	<i>\$ 890,677</i>	<i>\$ (47,870)</i>

The increase in restricted cash and decrease in revolving loans receivable are due to the repayment of loan principle in 2013. The decrease in long-term certificates of deposit and increase in property held for sale are due to the use of certificates of deposit to purchase commercial property during 2013. The decreases in unrestricted cash and unrestricted net assets are mainly due to 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, 2013

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
	2012	2013	2012 - 2013
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 14,883	\$ 2,246	\$ (12,637)
<i>Interest on loans</i>	11,005	9,277	(1,728)
<i>Miscellaneous income</i>	-0-	39	39
<i>Non-operating Revenues:</i>			
<i>Interest and earnings</i>	3,500	1,988	(1,512)
Total Revenue	29,388	13,550	(15,838)
<i>Operating Expenses:</i>			
<i>Contractual expenses</i>	37,476	61,420	23,944
<i>Fee expenses</i>	15	-0-	(15)
<i>Grant expense</i>	50,000	-0-	(50,000)
Total Expenses	87,491	61,420	(26,071)
(DECREASE) IN NET POSITION	\$ (58,103)	\$ (47,870)	\$ 10,233

Total revenues of the Agency decreased \$15,838 due to no new projects being completed during 2013. The decrease in fee income is due to the processing of a larger project in 2012. Operating expenses in 2013 increased primarily due to increased legal fees and taxes for the purchase of property. There were no grants provided during 2013, resulting in the decrease in grant expense. 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, 2013

ASSETS

Current Assets:

Cash - Unrestricted	\$ 38,453	
Cash - Restricted		191,304

Total Cash		229,757
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Revolving loans receivable within one year		37,787
Accounts receivable		3,467
Property held for sale		275,000

Total Current Assets		546,011
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Noncurrent Assets:

Long-term Certificates of Deposit		92,911
Revolving loans receivable in more than one year		254,061

Total Noncurrent Assets		346,972
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Total Assets		892,983
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LIABILITIES

Current Liabilities:

Accounts Payable		2,306
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Total Liabilities		2,306
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NET POSITION

Restricted for revolving loans		484,313
Unrestricted		406,364

Total Net Position		\$ 890,677
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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, 2013

Operating Revenues:	
Fee income	\$ 2,246
Interest income - Loans	9,277
Miscellaneous income	<u>39</u>
Total Operating Revenues	<u>11,562</u>
Operating Expenses:	
Contractual expenses	<u>61,420</u>
Total Operating Expenses	<u>61,420</u>
Operating Loss	<u>(49,858)</u>
Nonoperating Revenues:	
Interest and earnings	<u>1,988</u>
Total Nonoperating Revenues	<u>1,988</u>
Net Loss	(47,870)
Net Position, January 1, 2012	<u>938,547</u>
Net Position, December 31, 2013	<u>\$ 890,677</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, 2013

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 2,285
Cash payments - Contractual expenses	(59,114)
Cash received from revolving loan	40,172
Interest income received on revolving loan	<u>9,277</u>
Net Cash (Used) by Operating Activities	<u>(7,380)</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:	
Sale of long-term certificate of deposit	238,706
Purchase of long-term certificate of deposit	(1,450)
Purchase of property for sale	(275,000)
Interest income received	<u>1,988</u>
Net Cash (Used) by Investing Activities	<u>(35,756)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,136)
Cash and Cash Equivalents, January 1, 2013	<u>272,893</u>
Cash and Cash Equivalents, December 31, 2013	<u>\$ 229,757</u>
Reconciliation of net operating (loss) to net cash	
(used) by operating activities:	
Operating (Loss)	\$ (49,858)
Adjustments to reconcile net operating (loss) to net cash	
(used) by operating activities:	
Decrease in loans receivable	38,044
Decrease in accounts receivable	2,128
Increase in accounts payable	<u>2,306</u>
Net Cash (Used) by Operating Activities	<u>\$ (7,380)</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, 2013

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, 2013

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, 2013, the outstanding value of bonds and notes issued aggregated \$1,042,974.

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 \$322,667 at December 31, 2013 were entirely insured. The carrying value of deposits at December 31, 2013 totaled \$322,667.

Note 4 - Long-Term Certificates of Deposit

Long-term certificates of deposit consisted of the following at December 31, 2013:

	Cost	Fair Value	Excess of Fair Value Over Cost
Certificate of Deposit - 13 Months 0.50%	\$ 92,911	\$ 92,911	\$ -0-

Note 5 - Revolving Loan Receivable

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.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013 are as follows:

	Amount
Finger Lakes Distilling, LLC.	\$ 45,917
Schooner Excursions	64,356
Montour House	181,575
Total Revolving Loans Receivable	291,848
Less Current Portion	(37,787)
Long-term Portion	\$ 254,061

Note 6 - Restricted Cash

The Agency issues revolving loans (see Note 5) 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, 2013 is as follows:

	Amount
Restricted for revolving loans at 12/31/12	\$ 145,333
Principal and interest payments received	49,449 *
Interest earned on restricted balance	33
Late fees received	75
Administrative fees paid	(3,586)**
Restricted for revolving loans at 12/31/13	\$ 191,304

* This amount excludes monies due from REDEC and SCOPED for loan payments received in the amount of \$3,467.

** This amount excludes monies due to REDEC for administration fees in the amount of \$2,306.

Note 7 - Property Held for Sale

During 2013, the Agency purchased commercial property within the Village of Watkins Glen at a cost of \$275,000. On November 22, 2013, a purchase and sale agreement had been signed and, at December 31, 2013, a Notice of Disposition had been filed, providing a 90 day waiting period between approval of the sale by the Agency and the closing on the re-sale of the building.

Note 8 - Related Party

Schuyler County Partnership for Economic Development, Inc. (SCOPED, Inc.) is a not-for-profit corporation formed to promote and develop the expansion of businesses and industry within Schuyler County. SCOPED, Inc. provided administrative services to the Agency at a cost of \$20,000 and \$20,750 for the years ended December 31, 2013 and 2012, respectively.

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**INDEPENDENT AUDITOR'S 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 of
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 the business-type activities of Schuyler County Industrial Development Agency (the Agency), a component unit of the County of Schuyler, New York, as of and for the year ended December 31, 2013, 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, 2014.

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 opinion 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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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 cursive script that reads "Lisa Dietershagen, Little, Mickelson & Company, LLP".

Ithaca, New York
March 13, 2014