

**SCHUYLER COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Watkins Glen, New York

FINANCIAL REPORT

December 31, 2011

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Schuyler County Industrial Development Agency (the Agency), a component unit of the County of Schuyler, as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Agency's management. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Schuyler County Industrial Development Agency, as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012 on our consideration of Schuyler County Industrial Development Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 2 through 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The Statement of Indebtedness is the responsibility of management and was derived from and relate 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 in accordance 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.

Cinchi, DiCarlo, Little, Mickelson & Co., LLP

March 20, 2012
Ithaca, New York

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

The Schuyler County Industrial Development Agency (the Agency) 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, 2011, 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 \$(3,647) in 2011 compared to revenues exceeding expenses by \$13,304 in 2010.
- Net assets for the year ended December 31, 2011 amounted to \$996,650, reflecting a decrease of \$(3,647) from net assets of \$1,000,297 at December 31, 2010.
- Total revenue of \$24,261 in 2011 decreased from revenue of \$43,744 in 2010, due predominantly to a prior year refund of expenses which was not duplicated in 2011.
- Total expenses of \$27,908 in 2011 decreased from expenses of \$30,440 in 2010, due primarily to reduction in administration fees offset by an increase in insurance and professional fees.

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 Assets, a Statement of Revenues, Expenses and Changes in Net Assets, 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 Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Assets present information showing the change in the Agency's net assets during the most recent fiscal year. All changes in net assets 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, 2011

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 assets for fiscal year ended December 31, 2011, decreased by \$(3,647). Our analysis below focuses on the net assets (*Figure 1*) and changes in net assets (*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 Assets	Business-type Activities and Total Agency		Total Dollar Change
	2010	2011	2010 - 2011
<i>Current assets:</i>			
<i>Cash - Unrestricted</i>	\$ 243,887	\$ 192,869	\$ (51,018)
<i>Cash - Restricted</i>	61,266	107,395	46,129
<i>Revolving loan receivable within one year</i>	40,083	41,087	1,004
<i>Loans receivable within one year</i>	5,360	1,396	(3,964)
<i>Noncurrent assets:</i>			
<i>Long-term Certificates of Deposit</i>	322,616	327,577	4,961
<i>Revolving loan receivable in more than one year</i>	367,689	326,601	(41,088)
<i>Loans receivable in more than one year</i>	1,396	-0-	(1,396)
Total assets	1,042,297	996,925	(45,372)
<i>Current liabilities:</i>			
<i>Accounts payable</i>	-0-	275	275
<i>Due to other governments</i>	42,000	-0-	(42,000)
Total current liabilities	42,000	275	(41,725)
<i>Restricted for revolving loans</i>	61,266	107,395	46,129
<i>Unrestricted net assets</i>	939,031	889,255	(49,776)
Total net assets	\$ 1,000,297	\$ 996,650	\$ (3,647)

The increase in restricted cash and decrease in revolving loans receivable are due to the repayment of loan principle in 2011. The decrease in unrestricted cash and decrease in current liabilities is mainly due to the timing of PILOT pass-through payments. The PILOT pass-through payment for 2011 was received in 2010 while no prepayment was received in 2011.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

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

Figure 2

Changes in Net Assets	Business-type Activities and Total Agency		Total Dollar Change
	2010	2011	2010 - 2011
<i>Operating Revenues:</i>			
<i>Fees</i>	\$ 11,754	\$ 5,664	\$ (6,090)
<i>Interest on loans</i>	13,356	12,028	(1,328)
<i>Miscellaneous income</i>	13,008	-0-	(13,008)
<i>Non-operating Revenues:</i>			
<i>Interest and earnings</i>	5,626	6,569	943
Total revenues	43,744	24,261	(19,483)
<i>Operating Expenses:</i>			
<i>Contractual expenses</i>	30,440	27,908	(2,532)
Total expenses	30,440	27,908	(2,532)
INCREASE (DECREASE) IN NET ASSETS	\$ 13,304	\$ (3,647)	\$ (16,951)

Total revenues the Agency decreased \$19,483. Total expenses of the Agency decreased \$2,532. The decrease in revenues is primarily due to a refund of prior year expenses in 2010 which was not duplicated in 2011. Additionally, there was also a reduction in projects in 2011, resulting in reduced fee income.

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 ASSETS
DECEMBER 31, 2011

ASSETS

Current Assets:	
Cash - Unrestricted	\$ 192,869
Cash - Restricted	<u>107,395</u>
Total Cash	300,264
Revolving loans receivable within one year	41,087
PILOT loans receivable within one year	<u>1,396</u>
Total Current Assets	<u>342,747</u>
Noncurrent Assets:	
Long-term Certificates of Deposit	327,577
Revolving loans receivable in more than one year	<u>326,601</u>
Total Noncurrent Assets	<u>654,178</u>
Total Assets	<u>\$ 996,925</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ <u>275</u>
Total Liabilities	<u>275</u>
Net Assets:	
Restricted for revolving loans	107,395
Unrestricted net assets	<u>889,255</u>
Total Net Assets	<u>996,650</u>
Total Liabilities and Net Assets	<u>\$ 996,925</u>

See Independent Auditor's Report and Notes to Financial Statements

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

Operating Revenues:	
Fees	\$ 5,664
Interest income - Loans	<u>12,028</u>
Total Operating Revenues	<u>17,692</u>
Operating Expenses:	
Contractual expenses	22,088
Fee expenses	<u>5,820</u>
Total Operating Expenses	<u>27,908</u>
Operating Loss	<u>(10,216)</u>
Nonoperating Revenues:	
Interest and earnings	<u>6,569</u>
Total Nonoperating Revenues	<u>6,569</u>
Net Loss	(3,647)
Net Assets, January 1, 2011	<u>1,000,297</u>
Net Assets, December 31, 2011	<u>\$ 996,650</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, 2011

Cash Flows from Operating Activities:	
Cash received from providing services	\$ 5,664
Cash payments - Contractual expenses	(21,813)
Cash received from payment of PILOT loans receivable	5,360
PILOT payment paid on behalf of other governments	(42,000)
Interest income received on PILOT loans	323
Cash received from revolving loan	40,084
Interest income received on revolving loan	11,705
Cash payments - Fee expense	<u>(5,820)</u>
Net Cash (Used) by Operating Activities	<u>(6,497)</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	(4,961)
Interest income received	<u>6,569</u>
Net Cash Provided by Investing Activities	<u>1,608</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,889)
Cash and Cash Equivalents, January 1, 2011	<u>305,153</u>
Cash and Cash Equivalents, December 31, 2011	<u>\$ 300,264</u>
Reconciliation of net operating (loss) to net cash (used) by operating activities:	
Operating (Loss)	\$ (10,216)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:	
Decrease in loans receivable	45,444
Increase in accounts payable	275
(Decrease) in deferred revenue	<u>(42,000)</u>
Net Cash (Used) by Operating Activities	<u>\$ (6,497)</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, 2011

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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Agency has the option to apply FASB pronouncements issued after that date to its Business-type Activities and enterprise funds and has elected to do so. 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 Assets

- **Restricted Net Assets**
Consists of net assets with constraints placed on their 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.
- **Unrestricted Net Assets**
Consists of all other net assets that do 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, 2011

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, 2011, the outstanding value of bonds and notes issued aggregated \$1,347,234.

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 \$625,524 at December 31, 2011 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, 2011 totaled \$627,841.

Note 4 - Long-Term Certificates of Deposit

Long-term certificates of deposit consisted of the following at December 31, 2011:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Certificate of Deposit - 7 Months 0.60%	\$ 129,158	\$ 129,158	\$ -0-
Certificate of Deposit - 13 Months 1.10%	91,221	91,221	-0-
Certificate of Deposit - 12 Months 1.26%	<u>107,198</u>	<u>107,198</u>	-0-
	<u>\$ 327,577</u>	<u>\$ 327,577</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.

SCHUYLER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Payments are made quarterly, and began April 1, 1992. PILOT loans receivable at December 31, 2011 are as follows:

	Interest Rate	Amount
Guthrie Clinic Ltd.	7%	\$ 1,396
Total PILOT Loans Receivable		1,396
Less Current Portion		(1,396)
Long-term Portion		\$ -0-

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. 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, 2011 are as follows:

	Amount
Taylor Precision Machining, Inc.	\$ 7,451
Finger Lakes Distilling, LLC.	59,446
Schooner Excursions	90,383
Montour House	210,408
Total Revolving Loans Receivable	367,688
Less Current Portion	(41,087)
Long-term Portion	\$ 326,601

Note 7 - Restricted Cash

During 2003 and 2005, the Agency issued revolving loans in accordance with a grant from the Department of Housing and Urban Development (see Note 5). Per this agreement, all principal and interest received as repayments on these loans is 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, 2011 is as follows:

	Amount
Restricted for revolving loans at 12/31/10	\$ 61,266
Principal and interest payments received	51,789
Interest earned on restricted balance	110
Administrative fees paid	(5,770)
Restricted for revolving loans at 12/31/11	\$ 107,395

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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**

We have audited the financial statements of the governmental activities of Schuyler County Industrial Development Agency (the Agency), a component unit of the County of Schuyler, as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 20, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

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We noted certain other matters that we reported to management of the Agency, in a separate letter dated March 20, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the Agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, Dittulyn, Little, Mickelson & Co., LLP

March 20, 2012
Ithaca, New York

