

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

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2011

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

We have audited the accompanying statement of net assets 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, 2011, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended. These basic financial statements are the responsibility of the IDA and LDC'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 general purpose 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 basic financial statements referred to above, present fairly, in all material respects, the financial position of the IDA and LDC, as of December 31, 2011, and the changes in its fund net assets and the 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 May 7, 2012, 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 the internal control over financial reporting or on compliance. 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 & Analysis information on Pages 3 – 6 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 opinions on the financial statements that collectively comprise the IDA and LDC's financial statements taken as a whole. The other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, the other financial information is fairly stated in all material respects in relation to the financial statements taken as whole.

*Gruva, Zureifel & Scott, LLP*

Oneonta, New York  
May 7, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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As financial management of the Delaware County 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, 2011. 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, Governor's Office of Small Cities, 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 Gruver, Zweifel & 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 2011 transactions and balances. The difference between the assets and liabilities are reported as net assets. Increases or decreases in net assets 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

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Financial Analysis

Operating income for the IDA was \$299,576 for fiscal year 2011. This was a decrease of 29% over the prior year. Net income produced an increase in net assets of \$303,697. At the close of fiscal year 2011, the IDA had net assets of \$3,186,464, an increase of 10% over the prior year.

Operating income for the LDC was \$191,371 for fiscal year 2011. The net income produced an increase in net assets of \$192,324. At the close of fiscal year 2011, the LDC had net assets of \$988,575, an increase of 24% 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 assets is the major asset. For the IDA's loan funds, the financial statement shows an increase from \$1,116,367 at year-end 2010 to \$1,236,090 at year-end 2011, a net increase of \$119,723. For the LDC's loan fund, from \$1,563,987 at year-end 2010 to \$1,733,891 at year-end 2011, a net increase of \$169,904.

The IDA's current major capital assets are the remaining 6.73-acre parcel, with sewer and water improvements, of an original 15-acre tract, in its industrial park in Walton for planned industrial locations. In 2010, the IDA purchased the former AJS Facility with the intent of 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, NY. The cost of the building and improvements is expected to be reimbursed by a grant. 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.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2011-2010 comparative summary of the IDA's financial statements, showing the increase in net assets:

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AGENCY'S NET ASSETS

	<u>2011</u>	<u>2010</u>
Current assets	\$ 1,154,063	\$1,116,958
Non-current assets	<u>2,043,020</u>	<u>1,765,809</u>
Total assets	<u>\$ 3,197,083</u>	<u>\$2,882,767</u>
Current liabilities	\$ 10,619	\$ -
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	10,619	-
Net assets	<u>3,186,464</u>	<u>2,882,767</u>
Total liabilities and net assets	<u>\$ 3,197,083</u>	<u>\$2,882,767</u>

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AGENCY'S  
CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 647,335	\$ 574,638
Operating expenses	<u>(347,759)</u>	<u>(163,000)</u>
Operating income	299,576	411,638
Non-operating income:		
Investment income	<u>4,121</u>	<u>7,033</u>
Change in net assets	303,697	418,671
Net assets, beginning of year	2,882,767	2,494,861
Prior period adjustment	<u>-</u>	<u>(30,765)</u>
Net assets, end of year	<u>\$ 3,186,464</u>	<u>\$2,882,767</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2011-2010 comparative summary of the LDC's financial statement:

DELAWARE COUNTY LOCAL DEVELOPMENT CORPORATION INC.'S NET ASSETS

	<u>2011</u>	<u>2010</u>
Current assets	\$ 728,138	\$ 630,069
Non-current assets	<u>1,523,254</u>	<u>1,148,185</u>
Total assets	<u>\$ 2,251,392</u>	<u>\$1,778,254</u>
Current liabilities	33,819	5,760
Non-current liabilities	<u>1,228,998</u>	<u>976,243</u>
Total liabilities	1,262,817	982,003
Net assets	<u>988,575</u>	<u>796,251</u>
Total liabilities and net assets	<u>\$ 2,251,392</u>	<u>\$1,778,254</u>

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

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 742,136	\$ 296,549
Operating expenses	<u>(550,765)</u>	<u>(200,337)</u>
Operating income	191,371	96,212
Non-operating income (loss):		
Investment income	<u>953</u>	<u>-</u>
Change in net assets	192,324	96,212
Net assets, beginning of year	<u>796,251</u>	<u>700,039</u>
Net assets, end of year	<u>\$ 988,575</u>	<u>\$ 796,251</u>

Economic Factors

The management of the IDA and the LDC are not aware of any changes in economic factors or conditions since December 31, 2011 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  
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COMBINED STATEMENT OF NET ASSETS

December 31, 2011

<u>ASSETS</u>	Total Primary Government IDA	Component Unit LDC	Totals Reporting Entity
Current assets:			
Cash and cash equivalents	\$ 813,211	\$ 512,163	\$ 1,325,374
Restricted cash	122,673	-	122,673
Accounts receivable	37,761	-	37,761
Prepaid insurance	2,252	-	2,252
Due from other governments - Delaware County	-	6,038	6,038
Due from (to) LDC	700	(700)	-
Current portion of loans receivable	177,466	210,637	388,103
Total current assets	1,154,063	728,138	1,882,201
Capital Assets, net	984,396	-	984,396
Long-term portion of loans receivable, net of allowance for bad debts of \$26,800 (IDA) and \$69,000 (LDC)	1,058,624	1,523,254	2,581,878
Total assets	\$ 3,197,083	\$ 2,251,392	\$ 5,448,475
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable	\$ 10,619	\$ -	\$ 10,619
Current portion of debt	-	33,819	33,819
Total current liabilities	10,619	33,819	44,438
Long-term liabilities:			
Long-term debt	-	1,228,998	1,228,998
Total liabilities	10,619	1,262,817	1,273,436
Net assets:			
Investment in capital assets, net of debt	973,777	-	973,777
Restricted for loans	1,236,090	1,733,891	2,969,981
Unrestricted	976,597	(745,316)	231,281
Total net assets	3,186,464	988,575	4,175,039
Total liabilities and fund equity	\$ 3,197,083	\$ 2,251,392	\$ 5,448,475

See accompanying notes.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY  
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COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2011

	Total Primary Government IDA	Component Unit LDC	Totals Reporting Entity
Operating revenues:			
County of Delaware	\$ 219,250	\$ -	\$ 219,250
Grant income	250,062	645,661	895,723
Interest income and late fees	48,918	71,275	120,193
Contributions	108,000	-	108,000
Miscellaneous	400	20,400	20,800
Transfer from IDA	-	2,500	2,500
Parade income	-	2,300	2,300
Rental income	20,705	-	20,705
Total operating revenues	<u>647,335</u>	<u>742,136</u>	<u>1,389,471</u>
Operating expenses:			
Pilot Program	32,948	-	32,948
Depreciation	12,387	-	12,387
Insurance	3,043	-	3,043
Interest expense and bank charges	58	17,793	17,851
Grants and sponsorships	107,300	501,035	608,335
Miscellaneous	1,994	659	2,653
Professional fees	10,387	278	10,665
Promotional/marketing	7,825	-	7,825
Bad debt	41,986	31,000	72,986
Transfer to LDC	112,500	-	112,500
E-Center program expenditures	17,331	-	17,331
Total operating expenses	<u>347,759</u>	<u>550,765</u>	<u>898,524</u>
Operating income	<u>299,576</u>	<u>191,371</u>	<u>490,947</u>
Non-operating revenue and expenses:			
Investment interest	4,121	953	5,074
Total non-operating revenue and expenses	<u>4,121</u>	<u>953</u>	<u>5,074</u>
Net income	303,697	192,324	496,021
Net assets prior year	2,913,532	796,251	3,709,783
Prior period adjustment	<u>(30,765)</u>	<u>-</u>	<u>(30,765)</u>
NET ASSETS, END OF YEAR	<u>\$ 3,186,464</u>	<u>\$ 988,575</u>	<u>\$ 4,175,039</u>

See accompanying notes.

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

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

	Total Primary Government IDA	Component Unit LDC	Totals Reporting Entity
Cash flows from operating activities:			
Cash received from grants and donations	\$ 577,312	\$ 673,407	\$ 1,250,719
Cash received from services provided	5,126	2,500	7,626
Payments received on loans	386,875	290,344	677,219
Other revenue received	-	19,440	19,440
Other operating payments	(70,786)	(16,458)	(87,244)
Issuance of loans	(508,000)	(419,975)	(927,975)
Grants issued	(107,300)	(509,067)	(616,367)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>283,227</u>	 <u>40,191</u>	 <u>323,418</u>
Cash flows from non-capital financing activities:			
Payments on debt between entities	-	(5,937)	(5,937)
Transfers between entities	(112,500)	-	(112,500)
Proceeds from USDA loan	-	320,000	320,000
Payments on USDA loan	-	(33,425)	(33,425)
 NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	 <u>(112,500)</u>	 <u>280,638</u>	 <u>168,138</u>
Cash flows from capital activities:			
Other assets	(18,050)	-	(18,050)
 NET CASH USED IN CAPITAL ACTIVITIES	 <u>(18,050)</u>	 <u>-</u>	 <u>(18,050)</u>
Cash flows from investing activities:			
Investment income	4,121	953	5,074
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>4,121</u>	 <u>953</u>	 <u>5,074</u>
 Increase in cash and cash equivalents	 156,798	 321,782	 478,580
Cash at beginning of year	779,086	190,381	969,467
 Cash at end of year	 <u>\$ 935,884</u>	 <u>\$ 512,163</u>	 <u>\$ 1,448,047</u>

See accompanying notes.

	Total Primary Government IDA	Component Unit LDC	Totals Reporting Entity
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income	\$ 299,576	\$ 191,371	\$ 490,947
Transfers between entities	112,500	-	112,500
Depreciation	12,387	-	12,387
Bad debt allowance	26,800	31,000	57,800
Changes in assets and liabilities:			
Decrease (Increase) in accounts receivable	(31,161)	24,488	(6,673)
(Increase) in prepaid expense	(972)	-	(972)
(Increase) in loans receivable	(146,522)	(200,908)	(347,430)
Increase (Decrease) in accounts payable	10,619	(5,760)	4,859
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 283,227</u>	 <u>\$ 40,191</u>	 <u>\$ 323,418</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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. 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

- A. 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  
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NOTES TO THE FINANCIAL STATEMENTS

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

- A. 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.
- B. 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.
- C. Allowance for Uncollectible Amounts – Receivables are recorded at their full value. Uncollectible accounts are charged to expenditures using the reserve method. The allowance for uncollectible accounts was \$26,800 and \$69,000 for the IDA and LDC, respectively, as of December 31, 2011.
- D. 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.
- E. 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.

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NOTES TO THE FINANCIAL STATEMENTS

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

- F. 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 and is retired by lease payments. 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).
- G. 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.
- H. 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.

- I. Operating Revenue and Expenses – The statement of revenues, expenses, and changes in net assets 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).

During 2000, the LDC was awarded two grants. The New York State Urban Development Corporation d/b/a Empire State Development Corporation awarded the LDC a grant of \$300,000. The grant is to be used for the Delaware County Revolving Loan Fund (\$290,000) and administrative costs (\$10,000). As of December 31, 2011, all funds have been disbursed for loans and administrative costs. The second grant awarded by the United States Department of Agriculture to establish the Delaware County Small Business Revolving Loan Program. The grant funds are received by the LDC by request at the time of approval of the loan.

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.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY  
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NOTES TO THE FINANCIAL STATEMENTS

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

- I. Operating Revenue and Expenses (Cont'd.) – Buildings are depreciated using the straight line method of accounting over the assets estimated useful live of 39 years. Depreciation amounted to \$12,387 in 2011.
- J. Net Assets – The IDA and LDC reports its net assets in three components. Net assets invested in capital assets are equal to amounts reported for capital assets, net of related debt and accumulated depreciation. Restricted net assets 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 assets are considered expendable. Unrestricted net assets are all other IDA and LDC net assets that do not meet the definitions of invested in capital assets or restricted net assets.
- K. Events Occurring After Reporting Date – Subsequent events were evaluated through May 7, 2012, 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 carrying amount of cash and cash equivalents, which aggregated \$1,448,047 at December 31, 2011, all of which is 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.



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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5      LOANS RECEIVABLE

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

The IDA administers the HUD, Micro, and 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. The activity for the year ended December 31, 2011 is as follows:

<u>Borrower</u>	<u>01/01/2011</u>		<u>Write Offs/ Repayments</u>	<u>12/31/2011</u>
	<u>Principal</u>	<u>Advances</u>		<u>Principal</u>
53535 Main St. Corp - Cassie	\$ 18,487	\$ -	\$ (7,165)	\$ 11,322
A – 1 Home Improvements	19,959	20,000	(2,886)	37,073
A – 1 Home Improvements	20,000	-	(20,000)	-
Ace Construction	2,330	-	(2,330)	-
Bibliobarn	12,917	-	(3,974)	8,943
Binnekill Square Realty, LLC	23,147	-	(3,814)	19,333
Brookside Hardware	31,416	-	(9,954)	21,462
Burn Ayre Farm	17,222	-	(17,222)	-
Cardio Club	29,183	-	(6,687)	22,496
Catskill Country Market	10,256	-	(3,874)	6,382
Delaware Phoenix Distiller	26,419	-	(6,079)	20,340
Eklunds Processing, Inc.	-	170,000	(3,298)	166,702
Hidden Inn	11,458	-	(11,458)	-
Hogans General Store	7,729	-	(3,729)	4,000
JenLid, LLC	-	80,000	-	80,000
JenLid, LLC	-	150,000	-	150,000
Lucky Dog Farm Shop	16,442	-	(6,111)	10,331
Lucky Dog – Hamden Inn	-	10,000	(1,194)	8,806
Masserson Properties	16,268	-	(2,631)	13,637
Masserson Properties	125,000	-	(125,000)	-
Plattekill Mountain	7,500	-	(7,500)	-
Precision Cuts	4,621	-	(3,052)	1,569
ROMO, LLC	15,872	-	(2,653)	13,219
ROMO, LLC	15,872	-	(2,653)	13,219
Roxbury Mt. Maple	-	25,000	(3,364)	21,636
Roxbury Mt. Maple	-	28,000	-	28,000
Sams Country Store	2,777	-	(2,777)	-
Santo Punturiero	2,608	-	(1,224)	1,384
Skyland Supply and Rental	57,863	-	(4,488)	53,375
Sunny Dale Forest	1,936	-	(1,936)	-
Susan Decker	-	25,000	(3,746)	21,254
Sweet Peas	32,352	-	(677)	31,675
The Auk	2,948	-	-	2,948
The Coffee Pot	40,000	-	-	40,000

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LOANS RECEIVABLE (Cont'd.)

A. Loans Receivable-HUD, Micro, and GOSC - the IDA (Cont'd.)

<u>Borrower</u>	01/01/2011 <u>Principal</u>	<u>Advances</u>	Write Offs/ <u>Repayments</u>	12/31/2011 <u>Principal</u>
The Green Giraffe	\$ 14,971	\$ -	\$ (2,365)	\$ 12,606
The Market Basket	13,888	-	-	13,888
Thomas Collier	12,523	-	(2,119)	10,404
Walton Liquor	3,248	-	-	3,248
Work in Progress Fabrications	<u>8,081</u>	<u>-</u>	<u>(877)</u>	<u>7,204</u>
	<u>\$ 625,293</u>	<u>\$ 508,000</u>	<u>\$ (276,837)</u>	<u>\$ 856,456</u>
				Less: Current portion <u>(141,050)</u>
				Long term receivable <u>\$ 715,406</u>

B. 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, 2011 is as follows:

<u>Borrower</u>	01/01/2011 <u>Principal</u>	<u>Advances</u>	Write Offs/ <u>Repayments</u>	12/31/2011 <u>Principal</u>
Catskill Country Furniture	\$ 45,368	\$ -	\$ (3,840)	\$ 41,528
Enviro Energy	66,510	-	(4,208)	62,302
Hobart Market	37,551	-	(2,795)	34,756
Louis Pesout – Delhi Diner	18,935	-	(10,617)	8,318
Lucky Dog - Hamden Inn	-	50,000	(1,296)	48,704
Margaretville Lodging	18,638	-	(3,676)	14,962
Masserson #2	39,903	-	(1,304)	38,599
Second Nature Construction	176,605	-	(8,443)	168,162
Sportsfield Specialties	26,879	-	(7,994)	18,885
WB Delhi, LLC	<u>-</u>	<u>319,975</u>	<u>-</u>	<u>319,975</u>
	<u>\$ 430,389</u>	<u>\$ 369,975</u>	<u>\$ (44,173)</u>	<u>756,191</u>
				Less: Current portion <u>(81,372)</u>
				Long-term receivable <u>\$ 674,819</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LOANS RECEIVABLE (Cont'd.)

C. 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, 2011 is as follows:

<u>TIER</u> <u>Borrower</u>	<u>01/01/2011</u> <u>Principal</u>	<u>Advances</u>	<u>Write Offs/</u> <u>Repayments</u>	<u>12/31/2011</u> <u>Principal</u>
Cowan Excavating, LLC	\$ 22,358	\$ -	\$ (9,552)	\$ 12,806
Masserson #2	49,878	-	(1,628)	48,250
The Market Place	<u>23,520</u>	<u>-</u>	<u>(4,590)</u>	<u>18,930</u>
	<u>\$ 95,756</u>	<u>\$ -</u>	<u>\$ (15,770)</u>	79,986
				<u>(18,139)</u>
				<u>\$ 61,847</u>

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, 2011 is as follows:

<u>Borrower</u>	<u>1/1/2011</u> <u>Principal</u>	<u>Advances</u>	<u>Write Offs/</u> <u>Repayments</u>	<u>12/31/2011</u> <u>Principal</u>
BES Manufacturing	\$ 21,684	\$ -	\$ (12,794)	\$ 8,890
Catskill Country Furn & Floor	-	25,000	(976)	24,024
Delaware Spring Water	71,991	-	(10,132)	61,859
H&R Block	5,455	-	(5,455)	-
Haggerty Hardware of Walton	98,025	-	(3,353)	94,672
Haggerty Hardware of Walton	147,038	-	(5,029)	142,009
JAMs Indoor Golf	191,965	-	(3,687)	188,278
Lucky Dog - Hamden Inn	-	25,000	(2,984)	22,016
Masserson #2	29,927	-	(977)	28,950
Masserson Temp	50,000	-	(50,000)	-
New York State ARC	43,647	-	(4,279)	39,368
Northeast Fabricators	80,402	-	(16,742)	63,660

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LOANS RECEIVABLE (Cont'd.)

D. Loans Receivable- Intermediary Relending Program (IRP) – the LDC (Cont'd.)

	1/1/2011		Write Offs/	12/31/2011
<u>Borrower</u>	<u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal</u>
Renaissance Restorations	\$ 144,143	\$ -	\$ (11,124)	\$ 133,019
River Valley Ford	128,847	-	(12,943)	115,904
Sportsfield Specialties	<u>62,717</u>	<u>-</u>	<u>(18,652)</u>	<u>44,065</u>
	<u>\$1,075,841</u>	<u>\$ 50,000</u>	<u>\$ (159,127)</u>	966,714
				<u>(111,126)</u>
				<u>\$ 855,588</u>

E. Other Loans Receivable – the IDA

	01/01/2011		Write Offs/	12/31/2011
<b>Other</b> <u>Borrower</u>	<u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal</u>
Decker Advertising	\$ 78,503	\$ -	\$ (7,037)	\$ 71,466
Leatherstocking Realty	70,389	-	(2,882)	67,507
Second Nature Construction	50,000	-	(50,000)	-
Sportsfield Specialties	<u>292,182</u>	<u>-</u>	<u>(24,721)</u>	<u>267,461</u>
	<u>\$ 491,074</u>	<u>\$ -</u>	<u>\$ (84,640)</u>	406,434
				<u>(36,416)</u>
				<u>\$ 370,018</u>

NOTE 6 CAPITAL ASSETS

Capital assets as of December 31, 2011 comprised of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
<b>Depreciable</b>			
Buildings	\$ 483,083	\$ 24,779	\$ 458,309
<b>Non-Depreciable</b>			
Land	246,417	-	246,417
E-Center Building	261,620	-	261,620
Amphenol Project	<u>18,050</u>	<u>-</u>	<u>18,050</u>
Total Non-Depreciable	<u>526,087</u>	<u>-</u>	<u>526,087</u>
Capital assets, net	<u>\$ 1,009,170</u>	<u>\$ 24,774</u>	<u>\$ 984,396</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (Cont'd.)

The IDA has purchased a property in Margaretville, NY to develop a new E-center location. The purchase price of \$56,915 and the IDA has capitalized \$204,705 of improvements to the property as of December 31, 2011. The IDA received a grant in the amount of \$250,000 of offset the cost of the E-Center during 2011. The IDA plans to turn the E-center over to a local not-for-profit upon completion. Accordingly, the asset is not being depreciated.

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 loan payments held by the IDA as of December 31, 2011 is \$122,673 and is reflected as restricted cash.

NOTE 8 DUE FROM OTHER GOVERNMENTS – DELAWARE COUNTY

Two of the LDC's loans receivable is paid directly to Delaware County creating the account due from other governments. The payments are recorded as a paid loan receivable by the LDC. As of December 31, 2011, there was \$6,038 due from Delaware County.

NOTE 9 INDUSTRIAL PARK

In 1982, the IDA purchased a 15-acre industrial park in Walton, New York. The property was purchased for potential industrial development in connection with the issuance of IDA bonds.

NOTE 10 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 19<sup>th</sup> 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, 2011 was \$242,580.

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 26<sup>th</sup> each year. In 2011, 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, 2011 was \$700,237.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 LOANS PAYABLE (Cont'd.)

Interest expense incurred on these two notes was \$9,761 and \$7,412 for the years ending December 31, 2011 and 2010, respectively.

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 60<sup>th</sup> 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 \$8,032 for the year ending December 31, 2011.

These loans can be summarized as follows at December 31, 2011:

USDA \$300,000 Line of Credit	\$ 242,580
USDA \$750,000 Line of Credit	700,237
NYS Office of Community Renewal	<u>320,000</u>
Loans payable, short-term	1,262,817
Less: Current portion	<u>33,819</u>
Total loans payable, long-term	<u>\$ 1,228,998</u>

NOTE 11 COMMITMENTS AND CONTINGENCIES

- A. The industrial park in Walton 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, 7.27 acres of land have been sold (1 acre in 1992, 2 acres in 1995, 1 acre in 2001 and 3.27 in 2004).

- B. As of December 31, 2011, the IDA has restricted net assets of \$1,236,090, which represents the net loans receivable balance as of year-end.
- C. As of December 31, 2011, the LDC has restricted net assets in the amount of \$1,733,891, 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

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NOTE 12 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to remove an accounts receivable in the amount of \$24,488 that was not reversed on the IDA's general ledger.

NOTE 13 RELATED PARTY TRANSACTIONS

The IDA purchases all of its insurance coverage through a local insurance agency that employs the IDA chairman, James Thomson. The total paid for insurance during 2011 was \$2,625.

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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, 2011

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	\$ -	\$ -	\$ 1,144	\$ 439	\$ 3,184
Arnan Development Corp. 6459 State Hwy 23 Oneonta, NY 13820	Construction	-	-	-	-	-
TEMA Enterprises 7552 State Hwy 23 Oneonta, NY 13820	Construction	-	-	743	634	2,815
Kampsites & Realty 157 Cheese Factory Road Deposit, NY 13754	Construction	-	-	494	190	1,417
Burton F. Clark, Inc. dba Clark Companies I 41155 State Road 10 Delhi, NY 13753	Construction	-	-	7,443	11,298	20,976
Octagon Farms 34055 Sate Highway 10 Walton, NY 13856	Construction	-	-	1,083	709	1,645
Hancock House PO Box 718 Hancock, NY 13783	Construction	-	-	2,174	1,321	6,646
Masserson Properties 2258 County Route 41 Roxbury, NY 12474	Construction	-	-	4,691	9,327	15,183
Leatherstocking Realty Holdings 231 North Bellinger St Herkimer, NY 13350	Acquisition	-	-	8,787	8,857	24,763
Huff Ice Cream 3 Winkler Road Sidney, NY 13838	Construction	-	-	1,352	782	4,291
Total		\$ -	\$ -	\$ 27,911	\$ 33,557	\$ 80,920

See auditors' report



Mortgage Recording	Total Exemptions	Payment in Lieu of Taxes			
		County	Local	School	Total
\$ -	\$ 4,767	\$ 3,433	\$ 1,318	\$ 9,957	\$ 14,708
-	-	3,772	3,216	14,286	21,274
-	4,192	2,230	1,902	8,446	12,578
-	2,101	1,481	569	4,251	6,301
-	39,717	2,481	3,766	6,992	13,239
-	3,437	1,624	1,064	2,467	5,155
-	10,141	2,174	1,321	6,646	10,141
-	29,201	3,636	7,239	12,442	23,317
-	42,407	8,787	8,857	24,763	42,407
-	6,425	1,080	625	3,430	5,135
<u>\$ -</u>	<u>\$ 142,388</u>	<u>\$ 30,698</u>	<u>\$ 29,877</u>	<u>\$ 93,680</u>	<u>\$ 154,255</u>

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

SCHEDULE OF SUPPLEMENTAL BOND INFORMATION

December 31, 2011

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%	\$ 4,068,000	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%	8,525,784	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 FULL-TIME EQUIVALENT (FTE)  
JOBS CREATED AND RETAINED

Year ended December 31, 2011

	<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>
Issuee:			
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 Icecream	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>
162	4	162
17	17	17
31	1	31
54	1	54
12	2	12
24	-22	24
51	-3	50
12	1	12
198	47	198
9	1	9
9	-12	9
79	-3	79
0	0	0
<u>2</u>	<u>0</u>	<u>2</u>
<u><u>660</u></u>	<u><u>34</u></u>	<u><u>659</u></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  
and Delaware County Local Development Corporation  
Delhi, New York

We have audited 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") as of and for the year ended December 31, 2011, and have issued our report thereon dated May 7, 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 IDA and LDC's internal control over financial reporting as a basis for designing our auditing procedures 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 IDA and LDC's internal control over the financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IDA and LDC'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 combination of deficiencies, in internal control such that there is more than a reasonable possibility that a material misstatement of the IDA and LDC'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 would not necessarily identify all deficiencies in the 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 IDA and LDC'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 that are required to be reported under *Government Auditing Standards*.

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

*Gruber, Jureifel & Acott, LLP*

Oneonta, New York  
May 7, 2012