

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

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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, 2010, 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, 2010, 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 12, 2011, 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 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule in the other financial information section, including the schedule of expenditures of federal awards, 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 taken as whole.

Gruba, Jureifel & Acott, LLP

Oneonta, New York
May 12, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Operating income for the IDA was \$411,638 for fiscal year 2010. This was a decrease of 7% over the prior year. Net income produced an increase in net assets of \$418,671. At the close of fiscal year 2010, the IDA had net assets of \$2,913,532, an increase of 17 % over the prior year.

Operating income for the LDC was \$96,212 for fiscal year 2010. The net income produced an increase in net assets of \$96,212. At the close of fiscal year 2010, the LDC had net assets of \$796,251, an increase of 14% 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 \$922,224 at year-end 2009 to \$1,116,367 at year-end 2010, a net increase of \$194,143. For the LDC's loan fund, from \$855,768 at year-end 2009 to \$1,563,987 at year-end 2010, a net increase of \$708,218.

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. As of December 31, 2010, no grant for the project was in place. Total capital outlays for the building purchase and improvements for the year ended December 31, 2010 were \$261,620.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2010-2009 comparative summary of the LDC's financial statement:

DELAWARE COUNTY LOCAL DEVELOPMENT CORPORATION INC.'S NET ASSETS

	2010	2009
Current assets	\$ 630,069	\$ 609,379
Non-current assets	1,148,185	695,479
Total assets	\$ 1,778,254	\$1,304,858
Current liabilities	5,760	-
Non-current liabilities	976,243	604,819
Total liabilities	982,003	604,819
Net assets	796,251	700,039
Total liabilities and net assets	\$ 1,778,254	\$1,304,858

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

	2010	2009
Operating revenues	\$ 296,549	\$ 109,758
Operating expenses	(200,337)	(117,924)
Operating income	96,212	(8,166)
Non-operating income (loss):		
Investment income	-	-
Loss in sale of assets	-	-
Change in net assets	96,212	(8,166)
Net assets, beginning of year	700,039	708,205
Net assets, end of year	\$ 796,251	\$ 700,039

Economic Factors

The management of the IDA and the LDC are not aware of any changes in economic factors or conditions since December 31, 2010 that will have any significant effect on neither the IDA nor the LDC into the future.

Requests for Information

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

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

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Year Ended December 31, 2010

	Total Primary Government IDA	Component Unit LDC	Totals Reporting Entity
Operating revenues:			
County of Delaware	\$ 218,250	\$ -	\$ 218,250
Donations	-	3,500	3,500
Grant Income	132,414	99,408	231,822
OCR- Eklund	-	112,260	112,260
Interest income and late fees	35,318	57,028	92,346
Contributions	108,000	-	108,000
Bond Fee Income	67,500	-	67,500
Miscellaneous	1,938	380	2,318
Transfer from IDA	-	23,973	23,973
Rental Income	11,218	-	11,218
Total operating revenues	<u>574,638</u>	<u>296,549</u>	<u>871,187</u>
Operating expenses:			
Industrial park development	430	-	430
Depreciation	12,387	-	12,387
Insurance	4,639	-	4,639
Interest expense and bank charges	-	7,412	7,412
Grants and sponsorships	33,019	73,130	106,149
OCR- TOH grant	-	112,260	112,260
Miscellaneous	5,730	7,535	13,265
Professional fees	42,464	-	42,464
Promotional/marketing	6,120	-	6,120
Bad debt	-	-	-
Transfer to LDC	23,973	-	23,973
E Center program expenditures	34,238	-	34,238
Total operating expenses	<u>163,000</u>	<u>200,337</u>	<u>363,337</u>
Operating income	<u>411,638</u>	<u>96,212</u>	<u>507,850</u>
Non-operating revenue and expense:			
Investment interest	<u>7,033</u>	<u>-</u>	<u>7,033</u>
Total non-operating revenue	<u>7,033</u>	<u>-</u>	<u>7,033</u>
Net income	418,671	96,212	514,883
Net assets prior year	<u>2,494,861</u>	<u>700,039</u>	<u>3,194,900</u>
NET ASSETS, END OF YEAR	<u>\$ 2,913,532</u>	<u>\$ 796,251</u>	<u>\$ 3,709,783</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	\$ 411,638	\$ 96,212	\$ 507,850
Transfers between entities	23,973	(23,973)	-
Depreciation	12,387	-	12,387
Changes in assets and liabilities:			
Increase in accounts receivable	265	(24,488)	(24,223)
Increase in due from other governments	-	10,954	10,954
Decrease in prepaid expense	1,171	-	1,171
Increase in loans receivable	(194,143)	(708,219)	(902,362)
Increase in accounts payable	(6,983)	5,760	(1,223)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 248,308</u>	<u>\$ (643,754)</u>	<u>\$ (395,446)</u>

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

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 \$-0- and \$38,000 for the IDA and LDC, respectively, as of December 31, 2010.
- 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 LDC is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and similar New York State laws and, as such, is not subject to Federal or State income taxes. In addition, the IDA and LDC qualifies for the charitable contribution deduction under Section 170(b)(a)(2) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

- I. Operating Revenue and Expenses (Cont'd.) - Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight line method of accounting over the assets estimated useful lives ranging from 5 to 50 years. Depreciation amounted to \$12,387 in 2010.
- 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 12, 2011, 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 \$969,465 at December 31, 2010, all of which is covered by the FDIC or by collateral held in the pledging bank's trust department or agent in the IDA's name.

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 believes 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 (Cont'd.)

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, 2010 is as follows:

<u>Borrower</u>	01/01/2010 <u>Principal</u>	<u>Advances</u>	Write Offs/ <u>Repayments</u>	12/31/2010 <u>Principal</u>
Catskill Country Furniture	\$ 49,030	\$ -	\$ (3,662)	\$ 45,367
Enviro Energy	69,575	-	(3,065)	66,510
Hobart Market	38,814	-	(1,263)	37,551
Louis Pesout – Delhi Diner	29,035	-	(10,100)	18,935
Margaretville Lodging	23,928	-	(5,290)	18,638
Masserson #2	-	40,000	(97)	39,903
Mountainside Farms	11,019	-	(11,019)	-
Second Nature Construction	-	180,000	(3,395)	176,605
Sportsfield Specialties	<u>34,636</u>	<u>-</u>	<u>(7,757)</u>	<u>26,879</u>
	<u>\$ 256,037</u>	<u>\$ 220,000</u>	<u>\$ (45,648)</u>	430,389
				Less: Current portion <u>(242,427)</u>
				Long-term receivable <u>\$ 187,962</u>

C. Loans Receivable – TIER Revolving Loan fund - 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, 2010 is as follows:

<u>TIER Borrower</u>	01/01/2010 <u>Principal</u>	<u>Advances</u>	Write Offs/ <u>Repayments</u>	12/31/2010 <u>Principal</u>
Cowan Excavating, LLC	\$ 32,292	\$ -	\$ (9,934)	\$ 22,358
Masserson #2	-	50,000	(122)	49,878
The Market Place	<u>-</u>	<u>25,000</u>	<u>(1,480)</u>	<u>23,520</u>
	<u>32,292</u>	<u>75,000</u>	<u>(11,536)</u>	95,756
				Less: Current portion <u>(16,531)</u>
				Long term receivable <u>\$ 79,225</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 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, 2010 is \$16,195 and is reflected as restricted cash.

NOTE 7 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, 2010, there was \$100 due from Delaware County.

NOTE 8 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 9 LOAN FROM USDA

The LDC has a \$300,000 line of credit of which \$300,000 has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually and is payable on September 19th each year. Loan payments of principal and interest of \$12,339 annually to fully amortize the loan 30 years from the date of the loan, September 19, 2003. The balance at December 31, 2010 was \$252,396.

The LDC has a \$750,000 line of credit, all of which has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually and is payable on September 26th each year. In 2010, 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, 2010 was \$723,847.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
 (A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)
 AND THE DELAWARE COUNTY LOCAL DEVELOPMENT CORPORATION

SCHEDULE OF FEDERAL EXPENDITURES OF FEDERAL AWARDS -
 STATUTORY BASIS

December 31, 2010

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>Award or Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
Rural Development Intermediary Relending Program Loan	10.767		\$ 555,000
Total Federal Assistance			\$ 555,000

See auditors' report.

Mortgage Recording	Total Exemptions	Payment in Lieu of Taxes			
		County	Local	School	Total
\$ -	\$ 18,941	\$ 2,917	\$ 1,491	\$ 9,823	\$ 14,231
-	20,693	3,683	3,691	13,319	20,693
-	18,512	2,569	2,687	9,291	14,546
-	12,427	2,074	1,275	7,053	10,402
-	34,517	2,341	3,569	5,620	11,531
-	8,624	933	797	2,738	4,468
<u>\$ -</u>	<u>\$ 113,714</u>	<u>\$ 14,517</u>	<u>\$ 13,510</u>	<u>\$ 47,843</u>	<u>\$ 75,870</u>

<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>
158	34	124
28 FT 11 PT	-8 FT 5 PT	28 FT 6 PT
50	-5	50
7	-11	7
46	0	46
47	-5	47
4	0	4
173 FT 59 PT	47 FT -33 PT	116 FT 59 PT
4 FT 7 PT	1 FT -1 PT	3 FT 7 PT
10	0	10
0	0	0
2	0	2
<u>529 FT 77 PT</u>	<u>63 FT -29 FT</u>	<u>437 FT 72 PT</u>

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.

Bruce, Jureifel & Scott, LLP

Oneonta, New York
May 12, 2011

INTERNAL CONTROL OVER COMPLIANCE

Management of the IDA and LDC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the IDA and LDC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the IDA and LDC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement, of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the IDA and LDC, 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.

Gruen, Jureifel & Scott, LLP

Oneonta, New York
May 12, 2011