

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)

TABLE OF CONTENTS

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 6
FINANCIAL STATEMENTS	
Combined Statement of Net Assets	7
Combined Statement of Revenues, Expenses and Changes in Fund Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 – 18
OTHER FINANCIAL INFORMATION	
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Outstanding Sale and Lease Agreements	21
Schedule of Supplemental Bond Information	22
Schedule of Full-Time Equivalent (FTE) Jobs Created and Retained	23
COMPLIANCE AND INTERNAL CONTROL	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 – 25
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	26 – 27
Schedule of Findings and Questioned Costs	28
Schedule of Prior Audit Findings	29



**GRUVER, ZWEIFEL & SCOTT, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

4 ASSOCIATE DRIVE  
ONEONTA, NEW YORK 13820  
(607) 432-8700  
Fax: (607) 432-5122  
www.gzscpa.com

7936 SENECA TURNPIKE  
CLINTON, NEW YORK 13323  
(315) 797-7781  
Fax: (315) 797-0305  
www.gzscpa.com

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 & Acord, 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

---

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, 2010. 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 Empire State Development. 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 2010 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

---

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 IDA's financial statements, showing the increase in net assets:

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AGENCY'S NET ASSETS

	<u>2010</u>	<u>2009</u>
Current assets	\$ 1,147,723	\$1,236,220
Non-current assets	<u>1,765,809</u>	<u>1,265,624</u>
<b>Total assets</b>	<b><u>\$ 2,913,532</u></b>	<b><u>\$2,501,844</u></b>
Current liabilities	\$ -	\$ 6,983
Non-current liabilities	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b>-</b>	<b>6,983</b>
<b>Net assets</b>	<b><u>2,913,532</u></b>	<b><u>2,494,861</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,913,532</u></b>	<b><u>\$2,501,844</u></b>

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AGENCY'S  
CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 574,638	\$ 691,753
Operating expenses	<u>(163,000)</u>	<u>(236,493)</u>
<b>Operating income</b>	<b>411,638</b>	<b>455,260</b>
Non-operating income:		
Investment income	<u>7,033</u>	<u>7,673</u>
<b>Change in net assets</b>	<b>418,671</b>	<b>462,933</b>
<b>Net assets, beginning of year</b>	<b><u>2,494,861</u></b>	<b><u>2,031,928</u></b>
<b>Net assets, end of year</b>	<b><u>\$ 2,913,532</u></b>	<b><u>\$2,494,861</u></b>

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
<b>Total assets</b>	<b>\$ 1,778,254</b>	<b>\$1,304,858</b>
Current liabilities	5,760	-
Non-current liabilities	976,243	604,819
<b>Total liabilities</b>	982,003	604,819
Net assets	796,251	700,039
<b>Total liabilities and net assets</b>	<b>\$ 1,778,254</b>	<b>\$1,304,858</b>

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	<b>\$ 796,251</b>	<b>\$ 700,039</b>

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 NET ASSETS

December 31, 2010

<u>ASSETS</u>	<u>Total Primary Government IDA</u>	<u>Component Unit LDC</u>	<u>Totals Reporting Entity</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 762,891	\$ 190,379	\$ 953,270
Restricted cash	16,195	-	16,195
Accounts receivable	37,366	24,488	61,854
Prepaid insurance	1,280	-	1,280
Due from other governments - Delaware County	-	100	100
Due from (to) LDC	700	(700)	-
Current portion of loans receivable	329,291	415,800	745,091
<b>Total current assets</b>	<b>1,147,723</b>	<b>630,067</b>	<b>1,777,790</b>
Long-term portion of loans receivable, net of allowance for bad debts of \$- (IDA) and \$38,000 (LDC)	787,076	1,148,187	1,935,263
E-center	261,620	-	261,620
AJS Facility, net of accumulated depreciation of \$12,387	470,696	-	470,696
Land	246,417	-	246,417
<b>Total assets</b>	<b>\$ 2,913,532</b>	<b>\$ 1,778,254</b>	<b>\$ 4,691,786</b>
 <u>LIABILITIES AND NET ASSETS</u>			
<b>Current liabilities:</b>			
Accounts payable	\$ -	\$ 5,760	\$ 5,760
Current portion of debt	-	37,778	37,778
<b>Total current liabilities</b>	<b>-</b>	<b>43,538</b>	<b>43,538</b>
 <b>Long-term liabilities:</b>			
Long-term debt	-	938,465	938,465
<b>Total liabilities</b>	<b>-</b>	<b>982,003</b>	<b>982,003</b>
 <b>Net assets:</b>			
Investment in capital assets, net of debt	978,733	-	978,733
Restricted for loans	1,116,367	1,563,987	2,680,354
Unrestricted	818,432	(767,736)	50,696
<b>Total net assets</b>	<b>2,913,532</b>	<b>796,251</b>	<b>3,709,783</b>
<b>Total liabilities and fund equity</b>	<b>\$ 2,913,532</b>	<b>\$ 1,778,254</b>	<b>\$ 4,691,786</b>

See accompanying notes.

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	574,638	296,549	871,187
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	163,000	200,337	363,337
Operating income	411,638	96,212	507,850
Non-operating revenue and expense:			
Investment interest	7,033	-	7,033
Total non-operating revenue	7,033	-	7,033
Net income	418,671	96,212	514,883
Net assets prior year	2,494,861	700,039	3,194,900
NET ASSETS, END OF YEAR	\$ 2,913,532	\$ 796,251	\$ 3,709,783

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, 2010

	Total Primary Government IDA	Component Unit LDC	Totals Reporting Entity
<b>Cash flows from operating activities:</b>			
Cash received from grants and donations	\$ 458,664	\$ 202,015	\$ 660,679
Cash received from services provided	80,921	-	80,921
Payments received on loans	159,676	198,808	358,484
Payments to suppliers	(99,434)	-	(99,434)
Other operating payments	-	(9,187)	(9,187)
Issuance of loans	(318,500)	(850,000)	(1,168,500)
Grants issued	(33,019)	(185,390)	(218,409)
	<b>248,308</b>	<b>(643,754)</b>	<b>(395,446)</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
<b>Cash flows from non-capital financing activities:</b>			
Payments on debt between entities	27,103	(27,103)	-
Transfers between entities	(23,973)	23,973	-
Proceeds from USDA loan	-	407,200	407,200
Payments on USDA loan	-	(35,775)	(35,775)
	<b>3,130</b>	<b>368,295</b>	<b>371,425</b>
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>			
<b>Cash flows from capital activities</b>			
purchase of capital assets	(483,083)	-	(483,083)
	<b>(483,083)</b>	<b>-</b>	<b>(483,083)</b>
<b>NET CASH USED IN CAPITAL ACTIVITIES</b>			
<b>Cash flows from investing activities</b>			
Investment income	7,033	-	7,033
	<b>7,033</b>	<b>-</b>	<b>7,033</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>			
Decrease in cash and cash equivalents	(224,612)	(275,459)	(500,071)
Cash at beginning of year	1,003,698	465,838	1,469,536
Cash at end of year	<b>\$ 779,086</b>	<b>\$ 190,379</b>	<b>\$ 969,465</b>

See accompanying notes.

	Total Primary Government IDA	Component Unit LDC	Totals Reporting Entity
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Net operating income	\$ 411,638	\$ 96,212	\$ 507,850
Transfers between entities	23,973	(23,973)	-
Depreciation	12,387	-	12,387
<b>Changes in assets and liabilities:</b>			
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)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ 248,308</u></b>	<b><u>\$ (643,754)</u></b>	<b><u>\$ (395,446)</u></b>

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  
(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.)

- 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 the Schedule of Supplemental Bond Information for information on outstanding bonds.
- 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, 2010, 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  
(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

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, 2010 is as follows:

<u>Borrower</u>	<u>01/01/2010</u> <u>Principal</u>	<u>Advances</u>	<u>Write Offs/</u> <u>Repayments</u>	<u>12/31/2010</u> <u>Principal</u>
53535 Main St. Corp - Cassie	\$ 25,401	\$ -	\$ (6,914)	\$ 18,487
A - 1 Home Improvements	22,186	-	(2,227)	19,959
A - 1 Home Improvements	-	20,000	-	20,000
Ace Construction	7,288	-	(4,958)	2,330
Bibliobarn	16,697	-	(3,780)	12,917
Binnekill Square Realty, LLC	-	25,000	(1,853)	23,147
Brookside Hardware	40,886	-	(9,470)	31,416
Burn Ayre Farm	18,202	-	(980)	17,222
Cantina Restaurant	6,442	-	(6,442)	-
Cardio Club	35,000	-	(5,817)	29,183
Catskill Country Market	11,790	-	(1,534)	10,256
Delaware Phoenix Distillery	-	30,000	(3,581)	26,419
Hidden Inn	11,458	-	-	11,458
Hogans General Store	9,469	-	(1,740)	7,729
Lucky Dog Farm Shop	22,255	-	(5,813)	16,442
Masserson Properties	18,574	-	(2,306)	16,268
Masserson Properties	-	125,000	-	125,000
Plattekill Mountain	-	7,500	-	7,500
Precision Cuts	9,601	-	(4,980)	4,621
ROMO, LLC	18,008	-	(2,136)	15,872
ROMO, LLC	18,008	-	(2,136)	15,872
Sams Country Store	6,053	-	(3,276)	2,777
Santo Punturiero	3,897	-	(1,289)	2,608
Skyland Supply and Rental	62,589	-	(4,726)	57,863
Sunny Dale Forest	4,886	-	(2,950)	1,936
Sweet Peas	33,899	-	(1,547)	32,352
The Auk	-	4,000	(1,052)	2,948
The Coffee Pot	-	40,000	-	40,000
The Green Giraffe	-	17,000	(2,029)	14,971
The Market Basket	14,336	-	(448)	13,888
Thomas Collier	15,000	-	(2,477)	12,253
Walton Liquor	3,248	-	-	3,248
Work in Progress Fabrications	<u>13,195</u>	<u>-</u>	<u>(5,114)</u>	<u>8,081</u>
	<u>\$ 448,368</u>	<u>\$ 268,500</u>	<u>\$ (91,575)</u>	625,293
				<u>(285,716)</u>
				<u>\$ 339,577</u>

Less: Current portion

Long term receivable

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	34,636	-	(7,757)	26,879
	<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	-	25,000	(1,480)	23,520
	<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 5 LOANS RECEIVABLE (Cont'd.)

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, 2010 is as follows:

<u>Borrower</u>	<u>1/1/2010</u> <u>Principal</u>	<u>Advances</u>	<u>Write Offs/</u> <u>Repayments</u>	<u>12/31/2010</u> <u>Principal</u>
BES Manufacturing	\$ 33,855	\$ -	\$ (12,171)	\$ 21,684
Delaware Spring Water	-	75,000	(3,009)	71,991
H&R Block	10,299	-	(4,844)	5,455
Haggerty Hardware of Walton	-	100,000	(1,975)	98,025
Haggerty Hardware of Walton	-	150,000	(2,962)	147,038
JAMs Indoor Golf	198,041	-	(6,076)	191,965
Masserson #2	-	30,000	(73)	29,927
Masserson Temp	-	50,000	-	50,000
New York State ARC	47,386	-	(3,739)	43,647
Northeast Fabricators	93,879	-	(13,476)	80,403
Renaissance Restorations	-	150,000	(5,857)	144,143
River Valley Ford	141,160	-	(12,313)	128,847
Sportsfield Specialties	80,818	-	(18,101)	62,717
	<u>\$ 605,438</u>	<u>\$ 555,000</u>	<u>\$ (84,596)</u>	1,075,842
				<u>(156,842)</u>
				<u>\$ 919,000</u>

E. Other Loans Receivable-IDA

<u>Other</u> <u>Borrower</u>	<u>01/01/2010</u> <u>Principal</u>	<u>Advances</u>	<u>Write Offs/</u> <u>Repayments</u>	<u>12/31/2010</u> <u>Principal</u>
Decker Advertising	\$ 85,000	\$ -	\$ (6,497)	\$ 78,503
Leatherstocking Realty	72,683	-	(2,294)	70,389
Second Nature Construction	-	50,000	-	50,000
Sportfield Specialties	316,173	-	(23,991)	292,182
	<u>\$ 473,856</u>	<u>\$ 50,000</u>	<u>\$ (32,783)</u>	491,074
				<u>(43,575)</u>
				<u>\$ 447,499</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 19<sup>th</sup> 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 26<sup>th</sup> 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)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 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, 2010, the IDA has restricted net assets of \$1,116,367, which represents the net loans receivable balance as of year-end.
- C. 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.

NOTE 11 PRIOR YEARS CLASSIFICATION

Certain items of the prior year have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 12 RELATED PARTY TRANSACTIONS

The IDA purchases all of its insurance coverage through a local insurance agency owned by the IDA chairman, James Thomson.

NOTE 13 E-CENTER

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, 2010. It is expected that the costs of the E-center will be reimbursed by a pending grant. The IDA plans to turn the E-center over to a local not-for-profit upon completion. Accordingly, the asset is not being depreciated.

\*\*\*\*\*

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.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the IDA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Grants as shown on the balance sheet do not have the same period as those shown on the Federal awards.

NOTE 2 SUBRECIPIENTS

There were no subrecipients.

\*\*\*\*\*



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, 2010

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	\$ -	\$ -	\$ 3,889	\$ 1,988	\$ 13,064
Arnan Development Corp. 6459 State Hwy 23 Oneonta, NY 13820	Construction	-	-	3,683	3,691	13,319
TEMA Enterprises 7552 State Hwy 23 Oneonta, NY 13820	Construction	-	-	3,295	3,302	11,915
Kampsites & Realty 157 Cheese Factory Road Deposit, NY 13754	Construction	-	-	2,489	1,487	8,451
Burton F. Clark, Inc. dba Clark Companies I 41155 State Road 10 Delhi, NY 13753	Construction	-	-	4,966	8,742	20,809
Octagon Farms 34055 Sate Highway 10 Walton, NY 13856	Construction	-	-	1,818	1,553	5,253
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,140</b>	<b>\$ 20,763</b>	<b>\$ 72,811</b>

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>

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

SCHEDULE OF SUPPLEMENTAL BOND INFORMATION

December 31, 2010

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%	\$ 5,000,000	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%	8,879,928	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, 2010

	<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
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	146 FT 64 PT	17 0	146 FT 64 PT
Masseron Properties, Inc	3	2	3
Millennium Pipeline	2	0	2
Central NY Railroad	0	0	0
Octagon Enterprises	0	0	0
	<u>328 FT 64 PT</u>	<u>93</u>	<u>328 FT 64 PT</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>
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>

**GRUVER, ZWEIFEL & SCOTT, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

4 ASSOCIATE DRIVE  
ONEONTA, NEW YORK 13820  
(607) 432-8700  
Fax: (607) 432-5122  
www.gzscpa.com

7936 SENECA TURNPIKE  
CLINTON, NEW YORK 13323  
(315) 797-7781  
Fax: (315) 797-0305  
www.gzscpa.com

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, 2010, and have issued our report thereon dated May 12, 2011. 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, Zircifel & Scott, LLP*

Oneonta, New York  
May 12, 2011

**GRUVER, ZWEIFEL & SCOTT, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

4 ASSOCIATE DRIVE  
ONEONTA, NEW YORK 13820  
(607) 432-8700  
Fax: (607) 432-5122  
www.gzscpa.com

7936 SENECA TURNPIKE  
CLINTON, NEW YORK 13323  
(315) 797-7781  
Fax: (315) 797-0305  
www.gzscpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Directors  
County of Delaware Industrial Development Agency  
and Delaware County Local Development Corporation  
Delhi, New York

**COMPLIANCE**

We have audited the County of Delaware Industrial Development Agency (the "IDA") (A Component Unit of Delaware County, New York) and Delaware County Local Development Corporation (the "LDC") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the IDA and LDC's major federal programs for the year ended December 31, 2010. The IDA and LDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the IDA and LDC's management. Our responsibility is to express an opinion on the IDA and LDC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the IDA and LDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the IDA and LDC's compliance with those requirements.

In our opinion, the IDA and LDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major are applicable to its major federal programs for the year ended December 31, 2010.

## 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.

*Gruva, Jureifel & Scott, LLP*

Oneonta, New York  
May 12, 2011

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the general purpose financial statements – statutory basis of the IDA and LDC.
2. A significant deficiency relating to the audit of the financial statements is reported in the 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.
3. No reportable condition relating to the audit of the major federal award programs are reported in the independent auditors' report on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Circular A-133.
4. The auditors' report on compliance of the major federal award programs for the LDC expresses an unqualified opinion.
5. Audit findings relative to the major federal award program for the LDC are reported in Part C of this schedule.
6. The programs tested as a major program was the USDA Rural Development - Intermediary Relending Program Loan – CFDA #10.767
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The LDC was determined to not be a low-risk auditee.

B. FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENTS AUDIT

-NONE-

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

USDA Rural Development - Intermediary Relending Program Loan – CFDA #10.767

-NONE-

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

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

---

-NONE-

