

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

CORTLAND, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Financial Statements  
for the Years Ended December 31, 2010 and 2009

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**Richard M. McNeilly**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Cortland  
County Industrial Development Agency  
Cortland, New York

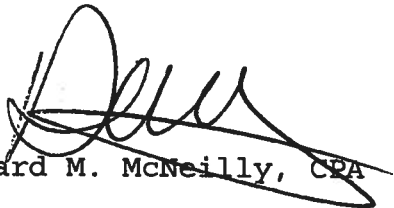
I have audited the accompanying financial statements of the business-type activities of the Cortland County Industrial Development Agency as of December 31, 2010 and 2009 which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Cortland County Industrial Development Agency as of December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-6 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 13 and 14-17 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.



Richard M. McNeilly, CPA

March 22, 2011

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010

This section of the Cortland County Industrial Development Agency's (IDA) financial report presents an analysis of the IDA's financial performance during the year ended December 31, 2010. This information is presented in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR 2010

The IDA's net assets increased by \$2,039,176  
Operating revenues increased by \$19,470  
Operating expenses decreased by \$(26,075)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of Management's Discussion and Analysis, Basic Financial Statements and Other Supplementary Information. The financial statements include notes, which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the IDA report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles, which are generally accepted in the United States of America. The statement of net assets include information on the IDA's assets and liabilities and provide information about the amounts and investments in resources (assets) and the obligations to creditors (liabilities). The statement of revenues, expenses and changes in net assets identify the IDA's revenues and expenses for the fiscal year ended December 31, 2010. This statement provides information on the IDA's operations over the past two years and can be used to determine whether the IDA has recovered all of its costs through user fees and other charges. The third financial statement is the statement of cash flows. This statement provides information on the IDA's changes in cash resulting from operations, investments and financing activities. From the statement of cash flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance for each of the last two fiscal years.

FINANCIAL ANALYSIS OF THE AGENCY

The statement of net assets and the statement of revenues, expenses and changes in net assets provide an indication of the IDA's financial condition and also indicate that the financial condition of the IDA increased during the last fiscal year. The IDA's net assets reflect the difference between assets and liabilities.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010

Table 1  
Condensed Statement of Net Assets

Assets:	2010	2009	Dollar Change
Cash, prepaid expenses	\$ 163,400	\$ 455,700	\$ (292,300)
Grants receivable	347,800	195,300	152,500
Land and office equipment, net	4,020,500	1,191,300	2,829,200
Loans receivable	-0-	-0-	-0-
<b>Total Assets</b>	<b>\$4,531,700</b>	<b>\$1,842,300</b>	<b>\$2,689,400</b>
<b>Liabilities:</b>			
Accounts payable	\$ 560,200	\$ 6,700	\$ 553,500
Retainage	96,800		96,800
Loans payable	1,150,000	1,150,000	-0-
<b>Total Liabilities</b>	<b>\$1,807,000</b>	<b>\$1,156,700</b>	<b>\$ 650,300</b>
<b>Total Net Assets</b>	<b>\$2,724,700</b>	<b>\$ 685,600</b>	<b>\$2,039,100</b>

As the table above indicates, total assets increased by \$2,689,400 during the fiscal year ended December 31, 2010. This increase is comprised of a decrease in cash, an increase in grants receivable and capital assets. The decrease in cash is detailed by the statement of cash flows on page 9.

Total liabilities increased by \$650,300. The increase is due to the accounts payable increase at year end for the business park.

The results from operations for the year added \$2,039,100 to net assets.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010

Table 2  
Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2010	2009	Dollar Change
Operating Revenues	\$ 82,000	\$ 62,600	\$ 19,400
Nonoperating Revenues	1,999,200	184,400	1,814,800
<b>Total Revenues</b>	<b>2,081,200</b>	<b>247,000</b>	<b>1,834,200</b>
Operating expenses	41,000	67,100	(26,100)
Nonoperating expenses	1,100	-0-	1,100
<b>Total Expenses</b>	<b>42,100</b>	<b>67,100</b>	<b>(25,000)</b>
<b>Change in Net Assets</b>	<b>2,039,100</b>	<b>179,900</b>	<b>1,859,200</b>
Beginning Net Assets	685,600	448,000	237,600
Prior Period Adjustment	-0-	57,700	(57,700)
<b>Ending Net Assets</b>	<b>\$2,724,700</b>	<b>\$ 685,600</b>	<b>\$2,039,100</b>

The Statement of Revenues, Expenses, and Changes in Net Assets identify the revenue and expense items, which affect the change in net assets. As the information in Table 2 indicates, the increase in net assets of \$2,039,100 flows directly to the net assets.

Table 2 indicates that increased revenues of \$1,834,200 were due mainly to the construction grants. Decreased expenses of \$(25,000), were from reduced operating expenses.

**CAPITAL ASSETS**

During 2010 the costs for developing of the Business Park increased capital assets by \$2,829,200.

**ECONOMIC FACTORS**

**FINGER LAKES EAST BUSINESS PARK**

The Cortland County Industrial Development Agency opened and awarded bids for two contracts in the spring of 2010. Contract 1 (site development) was awarded to Adhan Piping Co. in the amount of \$ 1,884,046. Contract 2 (highway improvements) was awarded to Suit-Kote Corporation in the amount of \$ 626,584.

Total project cost is estimated at \$4,057,484. Earlier funding commitments (\$2 million from the U.S. Economic Development Administration; \$433,700 from the U.S. Environmental Protection Agency; and \$500,000 from the NYS Dormitory Authority) remains intact with portions of those funds drawn down over the course of the 2010 construction season.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010

The Town of Cortlandville provided a \$400,000 loan for water/sewer work and a \$750,000 loan from Cortland County funded the IDA's acquisition of the 125 acre Finger lakes East site.

PAYMENT IN LIEU OF TAXES

Cortland Commerce Center - The Cortland County Industrial Development Agency closed on a board approved Payment in Lieu of Tax (PILOT) agreement with Cortland Commerce Center LLC on May 28, 2010. In addition to real property tax exemptions, the PILOT also assured assistance in the form of a mortgage and sales tax exemptions.

The company requested the assistance to facilitate a \$6,463,000 project to include acquisition and interior and exterior improvements to the facility, and to allow it to enter into affordable lease agreements with tenants including one major employer (Pall Corporation) that would in turn commit to its own multimillion-dollar investment in the building.

Estimated PILOT payments to taxing entities over the term of the agreement total \$930,000 (based on base year tax rates and assessment). Total estimated savings to the Company over the term of the PILOT totals \$498,380.

The project will help retain more than 153 Pall jobs at the facility and potentially another 725 jobs at nearby Pall facilities. Another 25 jobs are expected to be created as a result of this project.

Cortland Plastics International LLC - The Cortland County Industrial Development Agency closed on a board approved Payment in Lieu of Tax (PILOT) agreement with Cortland Plastics International LLC on December 1, 2010. In addition to real property tax exemptions, the PILOT also assured assistance in the form of a mortgage and sales tax exemptions.

The Company requested the assistance to facilitate a \$2.8 million project to acquire manufacturing space and nearby property for the construction of additional space to accommodate a production expansion.

Estimated PILOT payments to taxing entities over the term of the agreement total \$312,238 (based on base year tax rates and assessments). Total estimated savings to the company over the term of the PILOT total \$226,520. The project will create 32 jobs.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, creditors and other users with a general overview of the IDA's finances and to show the IDA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Agency at 37 Church Street, Cortland, NY 13045.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF NET ASSETS  
December 31:

<u>ASSETS</u>	2010	2009
Current Assets		
Cash	\$ 161,225	\$ 453,039
Grant receivable	347,844	195,259
Prepays	<u>2,199</u>	<u>2,666</u>
Total Current Assets	511,268	650,964
Fixed Assets		
Investment in Business Park	3,810,652	981,476
Investment in Land	209,818	209,818
Equipment, net of depreciation	<u>-0-</u>	<u>-0-</u>
 TOTAL ASSETS	 <u>\$ 4,531,738</u>	 <u>\$ 1,842,258</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Current portion of long term debt	\$ -0-	\$ -0-
Retainage on construction	96,790	-0-
Accounts payable	<u>560,202</u>	<u>6,688</u>
Total Current Liabilities	656,992	6,688
Long-term debt	<u>1,150,000</u>	<u>1,150,000</u>
Total Liabilities	1,806,992	1,156,688
Net Assets		
Investment in capital assets, net of debt	2,215,246	41,294
Unrestricted	<u>509,500</u>	<u>644,276</u>
Total Net Assets	<u>2,724,746</u>	<u>685,570</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,531,738</u>	 <u>\$ 1,842,258</u>

See Notes to Financial Statements and Accountant's Report.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
For The Years Ended December 31:

<u>OPERATING REVENUES</u>	2010	2009
NYS member item grant-flow through	\$ -0-	\$ 20,292
Project fees	64,172	39,277
Pilot collections	13,247	-0-
Service fees	1,620	-0-
Lease income	3,000	3,000
Total Operating Revenues	<u>82,039</u>	<u>62,569</u>
<u>OPERATING EXPENSES</u>		
Grant expenses	-0-	20,292
Project expenses	1,521	38,124
Pilot collections paid	13,247	-0-
Accounting	5,800	5,550
Legal	18,213	2,359
D&O insurance	1,466	484
Web site expense	787	300
Total Operating Expenses	<u>41,034</u>	<u>67,109</u>
NET OPERATING INCOME (LOSS)	41,005	(4,540)
<u>OTHER INCOME (EXPENSE)</u>		
Capital grants	1,998,387	183,102
Interest on deposits	821	1,253
Other		
Interest expense	<u>(1,037)</u>	<u>-0-</u>
OTHER INCOME (NET)	<u>1,998,171</u>	<u>184,355</u>
INCREASE (DECREASE) IN NET ASSETS	2,039,176	179,815
NET ASSETS, BEGINNING OF YEAR	<u>685,570</u>	<u>447,946</u>
PRIOR PERIOD ADJUSTMENT	<u>-0-</u>	<u>57,809</u>
NET ASSETS, END OF YEAR	<u>\$2,724,746</u>	<u>\$ 685,570</u>

See Notes to Financial Statements and Accountant's Report.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
For the Years Ended December 31:

	2010	2009
Cash Flows From Operating Activities:		
Receipts from grants and fees	\$ 82,039	\$ 62,569
Cash payments for operating expenses	(45,954)	(66,584)
Net Cash Provided by Operating Activities	<u>36,085</u>	<u>(4,015)</u>
Cash Flows From Noncapital and Related Financing Activities:		
Principal payments on loans	-0-	(12,960)
Interest paid on debt	(1,037)	-0-
Net Cash (Used) by Noncapital and Related Financing Activities	<u>(1,037)</u>	<u>(12,960)</u>
Cash Flows From Investing Activities:		
Long-term debt issued	-0-	1,150,000
Purchase option	-0-	15,000
Principal payments received on loans	-0-	18,360
Purchase of land and improvements	(2,174,611)	(984,142)
Interest received from investments	821	1,253
Capital grants received	1,846,928	38,124
Interest received on loans and other	-0-	-0-
Net Cash Provided From Investing Activities	<u>(326,862)</u>	<u>238,595</u>
Net Increase in Cash and Cash Equivalents	(291,814)	221,620
Cash and Cash Equivalents Beginning of Year	453,039	231,419
Cash and Cash Equivalents End of Year	<u>\$ 161,225</u>	<u>\$ 453,039</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 41,005	\$ (4,540)
Adjustment to reconcile operating income to net cash provided by operating activities:		
(Increase) in grants receivable	-0-	-0-
Increase in accounts payable	(4,920)	525
Net Cash Provided by Operating Activities	<u>\$ 36,085</u>	<u>\$ (4,015)</u>

See Notes to Financial Statements and Accountant's Report.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 AND 2009

Note 1 - Nature of Operations and Reporting Entity

The Cortland County Industrial Development Agency is a public benefit corporation formed under the mandate of Article 18-A, "New York State Industrial Development Agency Act" of New York State municipal law. Cortland County Industrial Development Agency was established by special act of the New York Legislature on March 19, 1974. The purpose of the IDA is to advance the job opportunities, health, general prosperity and economic welfare of the people of Cortland County and improve their recreation opportunities, posterity and standard of living.

Note 2 - Significant Accounting Policies

Basis of Presentation

The accrual basis of accounting is followed by the Agency. It uses the same measurement focus as commercial enterprises, namely the flow of economic resources. The flow of economic resources refers to all of the assets available to the Agency for the purpose of providing goods and services to the public or other governmental units.

Component Unit

Based upon GASB 14 under the premise that all the board members are appointed by the County of Cortland the Agency is included as a component unit of the County.

Cash and Concentration of Credit Risk

For purposes of the statements of cash flows, the Agency uses the direct method of reporting net cash flows from operating activities, and considers all short-term investments with an original maturity of three months or less to be cash equivalents. At December 31, 2010 and 2009, there were no cash equivalents.

The Agency maintains its cash in one commercial bank in upstate New York. Total cash balances were \$161,225 and \$453,039 in 2010 and 2009, respectively. The cash is secured by \$250,000 in FDIC insurance. Also, collateral is held in the Agency's name to cover any deposits over the \$250,000.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is recorded using the straight-line method over the estimated economic life of the respective assets. Land and land improvements are held for investment purposes and are not depreciated.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
December 31, 2010 and 2009

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Conduit Financing

One of the activities of the Cortland County Industrial Agency is to provide low cost financing through the issuance of tax exempt or taxable bonds for commercial enterprises and civic facility revenue bonds for 501(c)3 charitable organizations. Proceeds of bonds as well as debt service payments are administered by the benefited enterprise or charitable organization through a trustee bank. The obligations are not obligations of Cortland County Industrial Development Agency. The primary function of the Agency is to arrange financing between borrowing entities and the bond note holders.

To record the assets and liabilities resulting from the transactions would overstate and inflate operations of the Cortland County Industrial Development Agency. Therefore, in these conduit financing arrangements the Agency does not record bond proceeds, the assets acquired, liabilities incurred or debt service payments in the financial statements. See Schedule of Bonds on page 13 for information on this activity.

Note 3 - Grant Receivable

A portion of the cost of developing the business park is being funded by the federal Economic Development Administration and the Environmental Protection Agency. The grants are funding \$2.4 million of the first phase costs which is approximately 59% of the total estimated cost of phase one. Such grant revenue has been accrued as eligible costs have been incurred. The Agency has also obtained grants from the NYS Dormitory Authority and the National Grid to fund the project although no revenues have been accrued in 2010.

Note 4 - Land Lease

On April 15, 2005 a ten year land lease was signed with the New York, Susquehanna and Western Railway Corporation. The annual lease payments for the use of the land are \$500 each year. The lease can be renewed again in 2015 for another ten year lease. Also, the Agency leases land to an advertising firm for \$2,500 a year through 2014.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
December 31, 2010 and 2009

Note 5 - Fixed Assets

The following is a summary of fixed assets at cost, less accumulated depreciation:

	2010	2009
Business Park Development	\$3,810,652	\$ 981,476
Land for Investment	<u>\$ 209,818</u>	<u>\$ 209,818</u>
Equipment	\$ 14,967	\$ 17,260
Accumulated depreciation	<u>(14,967)</u>	<u>(17,260)</u>
Net Fixed Assets	<u>\$ -0-</u>	<u>\$ -0-</u>

Note 6 - Long-Term Debt

Cortland County Industrial Development Agency entered into mortgage backed loans with the Town of Cortlandville and the County of Cortland. The debt is as follows:

Town of Cortlandville	\$ 400,000
Cortland County	<u>750,000</u>
Total	<u>\$1,150,000</u>

Such mortgages are secured by the land the business park is being developed on. The loans carry no stated interest rate and mature based upon the future sale of building lots at 65% of the net proceeds. Therefore, no current amount is due and no amortization of future debt payments is appropriate.

Note 7 - Prior Period Adjustment

Since the cost of the business park is being capitalized as an investment, the cost recorded in 2008 as an expense should have been capitalized. Since it was not, the prior period adjustment of \$57,809 is capitalizing those costs.

Note 8 - Commitments and Contingencies

The Organization has received in excess of \$2.2 million in grant funds for the business park development. These grants have not been audited or finalized by the grantor agencies and findings or questioned costs could result.

Note 9 - Subsequent Events

The Agency has conducted an evaluation of potential subsequent events occurring after the statement of net assets date through March 22, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

**Supplementary Information**

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 SCHEDULE OF BONDS  
DECEMBER 31, 2010

<u>Project Code, Name Owner and Address</u>	<u>Date of Issuance Maturity</u>	<u>Interest Rate</u>	<u>Jobs Created</u>	<u>Outstanding 2008 2009</u>	<u>Payments Made 2009</u>
1102-02-04B Renovations to Emergency Room and Refinancing of Debt. Cortland Memorial Hospital 134 Homer Ave. Cortland, NY 13045 Not-for-Profit Tax Exempt No new tax exemptions granted for this project	06/20/2002  06/19/2032	2.50% to 5.25%	28	\$17,640,000  \$17,230,000	\$410,000

See Accountant's Report.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 SCHEDULE OF STRAIGHT LEASE TRANSACTIONS  
DECEMBER 31, 2010

<u>Lease Owner/ Address</u>	<u>Project #</u>	<u>Purpose</u>	<u>Sales Tax Exemption</u>
Farme Institute 5937 Route 11 Homer, NY 13077	1101-00-01	Agriculture	-0-
Borg Warner Morse TEC Luker Road Cortland, NY 13045	1101-00-03	Manufacturing	-0-
Cortland Associates Bennie Road Cortland, NY 13045	1101-01-01	Assisted Living	-0-
Photon Vision 1 Technology Place Homer, NY 13077	1101-01-02	Emerging Tech.	-0-
NCWP, LLC Route 11 Cortland, NY 13045	1101-02-01	Manufacturing	-0-
South Slope Development Song Mountain Rd. Tully, NY 13159	1101-02-02	Recreation	-0-
Essex Steel 607 St. Route 13 Cortland, NY 13045	1101-04-02	Construction	-0-
Cayuga Press 215 Main Street Cortland, NY 13045	1101-06-01	Comm. Printing	-0-
Cortland Crown Homes 156 Main Street Cortland, NY 13045	1101-07-01	Construction	-0-
Hope Lake Investors 2000 NYS Rt. 392 Cortland, NY 13045	1101-08-01	Tourism	\$ 44,978

Note: None of the above are not-for-profits

See Accountant's Report.

<u>Property Tax Exemption</u>	<u>Mortgage Rec. Tax Exemption</u>	<u>Total Tax Exemption</u>	<u>Payments in Lieu of Taxes</u>	<u>Jobs Created or Retained</u>
\$ 12,357	-0-	\$ 12,357	\$ 9,270	n/a
\$ 89,792	-0-	\$ 89,792	\$ 67,343	137
\$151,643	-0-	\$151,643	\$ 114,877	44
\$ 36,522	-0-	\$ 36,522	\$ 25,283	15
\$ 12,408	-0-	\$ 12,408	\$ 7,577	-0-
\$ 48,763	-0-	\$ 48,763	\$ 36,640	n/a
\$ 26,611	-0-	\$ 26,611	\$ 9,638	22
\$ 49,687	-0-	\$ 49,687	\$ 12,421	69
\$ 53,481	-0-	\$ 53,481	\$ 13,135	n/a
\$120,704	\$ -0-	\$120,704	\$ 120,704	162

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 SCHEDULE OF STRAIGHT LEASE TRANSACTIONS  
DECEMBER 31, 2010

<u>Lease Owner/ Address</u>	<u>Project #</u>	<u>Purpose</u>	<u>Sales Tax Exemption</u>
Clock Tower Holdings 4065 Highland Rd Cortland, NY 13045	1101-08-02	Construction	-0-
Lady Jane Hotels 75 Erie Blvd. West Syracuse, NY 13204	1101-09-01	Tourism	\$72,004
Cortland Commerce Cent. LLC 1 North Main Street Cortland, NY 13045	1101-10--01	Real Estate	\$33,736
Cortland Plastics 215 S Main Street Cortland, NY 13045	1101-10-02	Manufacturing	\$89,328

None of the above are not-for-profits.

See Accountant's Report.

<u>Property Tax Exemption</u>	<u>Mortgage Rec. Tax Exemption</u>	<u>Total Tax Exemption</u>	<u>Payments in Lieu of Taxes</u>	<u>Jobs Created or Retained</u>
\$ 38,395	-0-	\$ 38,395	\$ 9,092	1
\$ 6,888	-0-	\$ 6,888	\$ 6,888	n/a
\$ 87,024	35,750	\$122,774	\$ 87,024	n/a
n/a	n/a	n/a	n/a	35

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**Richard M. McNeilly**

*Certified Public Accountant*

124 West Franklin Street • Horseheads, New York 14845 • (607) 739-7435

March 18, 2011

To the Board of Directors of  
the Cortland County Industrial Development Agency  
Cortland, New York

Professional standards established by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) require the auditor to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial process. The standards require the auditor to ensure that the oversight committee of the Board of Directors receives additional information regarding the scope and the results of the audit that may assist in the supervising of the financial reporting and disclosure process for which management is responsible.

**THE AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

It is the auditor's responsibility to conduct an audit in accordance with generally accepted auditing standards. These standards require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

See independent auditor's report on the financial statements.

**SIGNIFICANT ACCOUNTING POLICIES**

The auditor should determine that the oversight committee is informed about the initial selection of, and change in, significant accounting policies or their application, and the methods used to account for significant, unusual transactions or the effect of significant accounting policies for which there is a lack of authoritative guidance or consensus.

No significant accounting policy changes were noted.

#### MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of financial statement presentation and are based upon management's current judgments.

No estimates of account balances were noted.

#### DISAGREEMENTS WITH MANAGEMENT

The auditor should discuss with the oversight committee any disagreements with management regarding the application of accounting principles to the entity's specific transaction and events; the basis for management's judgments about accounting estimates; the scope of the audit; disclosures in the financial statements and the wording of the auditor's report, whether or not satisfactorily resolved, that could be significant to the Organizations's financial statements or the auditor's report.

No disagreements with management related to the matters above.

#### CONSULTATION WITH OTHER ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. When the auditor is aware that such consultation has occurred, he should discuss with the oversight committee his views about significant matters that were the subject of such consultation.

No consultation by management with other accountants was noted.

#### MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

The auditor should discuss with the oversight committee any major issues discussed with management in connection with the initial or recurring retention of the auditor.

No major issues were discussed with management prior to retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

The auditor should inform the oversight committee of any serious difficulties encountered in dealing with management related to the performance of the audit.

I did not encounter any serious difficulties in dealing with management related to the performance of the audit.

Report on internal Control

In planning and performing my audit of the financial statements of the Cortland County Industrial Development Agency for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, I considered the Agency's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I do not express an opinion on the effectiveness of the Agency's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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My consideration of the internal control structure was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

I thank you for the opportunity to be of service to Cortland County Industrial Development Agency and if I can be of any service in regards to the issues mentioned above, please feel free to contact me.

Very Truly Yours,

  
~~Richard McNeilly, CPA~~