

INDUSTRIAL DEVELOPMENT AGENCY  
OF

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HAMILTON COUNTY

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STAFF

Ann E. Melious, Lake Pleasant  
*Executive Director*  
Laura A. Abrams, Arietta  
*Secretary*

March 26, 2012

Richard H. Dinolfo CPA  
15 Willow Road  
Queensbury, New York 12804-1240

We are providing this letter in connection with your audit of the regulatory basis financial statements reported by the Hamilton County Industrial Development Agency (IDA) as of December 31, 2011 and for the year then ended for the purpose of expressing an opinion as to whether the regulatory basis financial statements present fairly, in all material respects the financial position and results of operations of the IDA in conformity with the regulatory basis accounting and reporting practices prescribed by the Office of the State Comptroller (OSC) of the State of New York for reporting financial information to that office and to the Authorities Budget Office (ABO) of the State of New York. We confirm to you that we are responsible for the fair presentation of the regulatory basis financial statements reported by the IDA in conformity with regulatory accounting and reporting practices prescribed by the OSC for submitting annual financial reports to that office and the ABO, which practices differ from accounting principles generally accepted in the United States of America. We further confirm to you that we are responsible for adopting sound accounting policies in conformance with generally accepted accounting practices and establishing and maintaining adequate internal controls for the prevention and detection of fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm to the best of our knowledge and belief, as of March 26, 2012, the following representations made to you during your audit.

1. The regulatory basis financial statements referred to above are fairly presented in conformity with the accounting practices prescribed by OSC for submitting annual financial reports to that office and the ABO.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the

Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards that are:

- a. Component units.
  - b. Other organizations for which the nature and significance of their relationship with the Hamilton County Industrial Development Agency are such that exclusion would cause the reporting entity's regulatory basis financial statements to be misleading or incomplete.
  - c. Jointly governed organizations in which we participated.
3. We are not a component unit of the County of Hamilton, New York as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
  4. We have identified for you the single fund that is required by the regulatory basis of accounting referred to above to record and report all financial transactions and have properly classified them.
  5. We have made available to you:
    - a. All financial records and related data of the single funds, including those of all special programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
    - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
  6. There has been no:
    - a. Fraud involving management or personnel who have significant roles in internal control.
    - b. Fraud involving others that could have a material effect on the regulatory basis financial statements.
    - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the regulatory basis financial statements.
  7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  8. The following have been properly reflected and/or disclosed in the regulatory basis financial statements:
    - a. Related party transactions, including those with the County of Hamilton, New York, as defined in Section 2100 of the Governmental Accounting Standards Board's Codification

- of Governmental Accounting and Financial Reporting Standards, which have been recorded in accordance with the economic substance of the transactions.
- b. All leases and material amounts of rental obligations under long-term leases.
9. We are responsible for making the accounting estimates included in the regulatory basis financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2011, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2011.
  - b. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service and/or loan commitments.
10. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the regulatory basis financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a “potentially responsible party” by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10, or the regulatory basis accounting and reporting practices prescribed OSC.
11. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10, or the regulatory basis accounting and reporting practices prescribed by OSC.
12. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, that is not disclosed in the regulatory basis financial statements.
13. There are no material transactions that have not been properly recorded in the accounting records underlying the regulatory basis financial statements.
14. We have satisfactory title to all owned assets.
15. We have entered in various agreements with the County of Hamilton, New York (County) to be a subrecipient of various grants the County has been awarded from the United States Department of Housing and Urban Development (HUD) through the New York State Office for Community Renewal. The purpose of these HUD grants is to make loans and/or grants to Hamilton County businesses for promotion of commerce and industry and, with the resulting

program income from loan repayments, create a revolving loan fund for similar loans and grants in the future. We have complied with all aspects of contractual agreements that would have a material effect on the regulatory basis financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining if we are subject to the requirements of the Single Audit Act and OMB Circular A-133. We have not received, expended, or otherwise been the beneficiary of any federal awards of \$500,000 or more during the period of this audit, including monies received under the subrecipient agreements. None of the loans resulting from any of the above mentioned HUD grants is guaranteed in any manner or portion by the United States Government or the State of New York. None of the loans made from the HUD grants need to be repaid to either the United States Government or the State of New York.

16. During 2001, the Agency received a \$730,000 Community Development Block Grant, which was passed through the County to help finance the Oak Mountain Redevelopment Project. Of this amount, \$710,000 was loaned to Oak Mountain Ski Center, Inc. (Oak Mountain) to provide part of the financing for renovations to the ski center. The loan was to be repaid with interest at 5.00%. As part of the project, the applicable ski center property was included in a lease-leaseback transaction. During 2004, Oak Mountain stopped making loan payments, leaving an unpaid principal balance of \$663,306 at December 31, 2008. The loans were secured by a mortgage on the applicable property. To secure the Agency's interest in the loans and mortgage, the Agency purchased for \$175,000 an existing \$350,000 mortgage and promissory note on the applicable property. Oak Mountain defaulted on repayment on all loans and the Agency initiated foreclosure actions.

On Friday, March 6, 2009, the Agency took possession of the properties through foreclosure, including the cellular tower and property atop the mountain. Agency plans to offer both properties for sale, and will sell the properties in accordance with the Agency's property disposal policy.

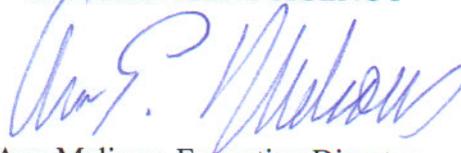
During the past five winter seasons, the ski center was operated by the Village of Speculator with limited financial assistance from the Agency. The Agency believes Oak Mountain is an important historical, cultural, recreational, and economic landmark for the entire southern half of Hamilton County and that an operating ski center is of benefit to the community. An operating ski center is one of the few winter month employers in the entire County. The Agency continues to work on a solution that will result in the continued operation of the ski center.

17. No events or transactions other than those disclosed in the regulatory basis financial statements have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the regulatory basis financial statements except for the following: In accordance with an assignment of grant agreement dated February 4, 2010, the Agency took over a revolving loan program previously administered by the Hamilton County Local Development Corporation (LDC). In May 2010, the LDC transferred \$97,304 to the Agency to be used for the original purpose of assisting businesses in stimulating economic development and creating jobs in Hamilton County.

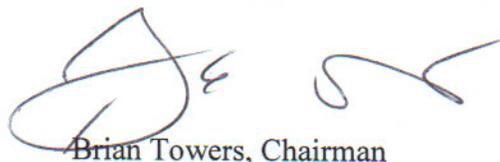
18. We have not changed any accounting policies during the year ended December 31, 2011 nor have we receive directives from the Office of the State Comptroller concerning any required changes to the prescribed regulatory accounting practices.
19. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or reportable conditions other than those reflected in your internal control letter dated March 26, 2012, which should be reported.
20. We have responded fully to all inquiries made to us by you during your audit.
21. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
22. We recognize that you have not been engaged by the Agency to provide non-audit services. Ann Melious, Executive Director, has overseen the services provided by Richard H. Dinolfo CPA and has established and maintained internal controls, including the monitoring of ongoing activities related to assistance with drafting of the financial statements and notes to the financial statements.

Very truly yours,

HAMILTON COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY



Ann Melious, Executive Director



Brian Towers, Chairman