



March 31, 2013

Board of Directors
Hamilton County Industrial Development Agency
P.O. Box 205
Lake Pleasant, New York 12108

Dear Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the Hamilton County Industrial Development Agency (Agency) for the year ended December 31, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Agency's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Agency.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP, CPAs

Willard G. Reynolds

WGR/dmc

**HAMILTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities and the Planned Scope and Timing of the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States has been described to you in our proposal dated January 10, 2013.

Accounting Practices

Preferability of Accounting Policies and Practices

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. Following is a description of accounting standards the Agency adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

There were no significant changes to the Agency's financial statements as a result of adopting the aforementioned accounting standards.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Accounting Estimates.

**HAMILTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

Audit Adjustments

Audit adjustments proposed by us and recorded by the Agency are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Uncorrected Misstatements

There were no uncorrected misstatements noted during our audit of the financial statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are aware that the Agency consulted with its predecessor auditor regarding loan receivable balances which resulted in the reissuance of the December 31, 2011, financial statements.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

During the course of the audit, we encountered some logistic difficulties obtaining certain information and support in a timely manner. While understandable, these difficulties have delayed the finalization of the financial statement audit.

Significant Deficiencies and Material Weaknesses

Significant deficiencies and material weaknesses, if any, are communicated in the schedule of findings and responses of the Independent Auditor's 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*.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Agency, including the representation letter provided to us by management, are attached as Exhibit C.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of continued service to you.

**HAMILTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012**

This letter is intended solely for the information and use of the Board members and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP, CPAs

A handwritten signature in black ink that reads "Willard Reynolds". The signature is written in a cursive style with a large initial "W".

Willard G. Reynolds

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES
Year Ended December 31, 2012**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Agency's December 31, 2012, financial statements:

Estimate	Accounting Policy	Estimation Process
Property held for sale or development	Property held for sale or development is stated at cost. When the acquisition cost of an individual asset is not specified, the group acquisition cost must be allocated to each asset on an appropriate basis.	The Agency estimated the market value of each individual asset included in property held for sale or development and allocated the cost basis proportionally.

We have evaluated management's significant accounting estimates noted above as part of our audit, and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

HAMILTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended December 31, 2012

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
To adjust opening balances to agree to prior year statements	\$ 1,168,212	\$ 917,132	\$ 225,381	\$ (985)	\$ (26,684)
To record NBT loan repayments	-	(211,678)	-	-	(211,678)
To record interest expense on NBT loan	-	13,053	-	-	13,053
To record utilities paid on cell tower posted to income	-	-	-	1,661	1,661
To reclassify Village loan payment	(60,000)	-	-	(60,000)	-
To adjust cash receipt improperly posted to accounts payable	-	(1,416)	-	1,416	-
To record Microenterprise grant income and expense	-	-	-	61,321	61,321
To record 2012 loan receivable activity	(57,577)	(57,577)	-	-	-
To offset cell tower sale proceeds against asset value	(818,286)	(663,306)	-	(154,980)	-
To record beginning loan balance omitted from 2011 financial statements	66,784	66,784	-	-	-
To adjust loan payment revenue and interest	(146)	(146)	-	-	-
To record additional receivable at year-end	2,750	-	-	2,750	-
To record additional payables at year-end	-	371	-	-	371
Total Statement of Revenues, Expenses, and Change of Net Position Effect			<u>13,139</u>	<u>\$ (148,817)</u>	<u>\$ (161,956)</u>
Total Statement of Net Position Effect	<u>\$ 301,737</u>	<u>\$ 63,217</u>	<u>\$ 238,520</u>		

**HAMILTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**CERTAIN WRITTEN COMMUNICATIONS BETWEEN
MANAGEMENT AND OUR FIRM
Year Ended December 31, 2012**

Representation Letter

INDUSTRIAL DEVELOPMENT AGENCY
OF

MEMBERS

Brian E. Towers, Wells
Chairman
William G. Farbet, Morehouse
Vice-Chairman
Robin L. Morrison, Benson
Treasurer
William J. Faro, Inlet
James H. Bateman, Long Lake
Robert C. Peck, Speculator
Timothy J. Pine, Indian Lake

HAMILTON COUNTY

PO Box 205
Lake Pleasant, NY 12108
(518) 548-3076
info@hamiltoncounty.com

STAFF

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

March 31, 2013

Bollam, Sheedy, Torani & Co. LLP, CPAs
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audit of the financial statements of the Hamilton County Industrial Development Agency (Agency), which comprise the statement of net position as of December 31, 2012, and the related statement of revenues, expenses, and changes in net position and cash flows, and the related notes to the financial statements for the year then ended. We confirm that we are responsible for the fair presentation of the financial statement of net position, statement of revenues, expenses and changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the proposal dated January 10, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

The Agency's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the year ended December 31, 2012, in the Agency's accounting principles and practices, except as noted herein.

2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62.

The Hamilton County IDA prohibits discrimination against its employees, loan or project applicants, applicants for employment or vendors on the bases of race, color, national origin, age, disability, sex, gender identity or religion.

6. The following have been properly recorded and/or disclosed in the financial statements:
 - a. All significant estimates and/or material concentrations known to management. Significant estimates are estimates at the statement of net position date that could change materially in the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances the next year.
 - b. Deposit and investment disclosures required under sections C20: *Cash Deposits with Financial Institutions* and I50: *Investments*, of GASB's Codification of Governmental Accounting and Financial Reporting Standards,
 - c. Arrangements with financial institutions involving compensating balances and/or other arrangements involving restrictions on cash balances.
 - d. Restrictions of net position.
 - e. All material leases.
 - f. The effect on the financial statements of GASB Statements which have been issued, but which we have not yet adopted.

Information Provided

7. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory, or contractual provisions or requirements, and
 - 2) Financial reporting practices that could have a material effect on the financial statements.
8. 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 GASB's Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
9. All transactions have been recorded in the accounting records and are reflected in the financial statements.
10. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
11. We have no knowledge of allegations of fraud or suspected fraud affecting the Agency's financial statements involving:

- a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements received in communications from employees, former employees, or others.
 13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
 14. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.
 15. We disclosed to you all known actual or possible pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 62.
 16. We have disclosed to you the identity of the Agency's related parties and all the related-party relationships and transactions of which we are aware.
 17. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize, and report financial data.
 18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 19. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private or to special assessment bond holders that is not disclosed in the financial statements.
 20. We have no plans or intentions that may materially affect the carrying value or classification of assets.
 21. We are responsible for making the accounting estimates included in the 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 and disclosure have been made to reduce receivables to their estimated net collectible amounts.
 22. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the 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 Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.

- d. Related party transactions including those as defined in Section 2250 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.
 - e. Guarantees, whether written or oral, under which the Agency is contingently liable. Agreements to repurchase assets previously sold.
 - f. Lines-of-credit or similar arrangements.
 - g. Debt issue provisions.
 - h. Security agreements in effect under the Uniform Commercial Code. Contractual obligations for plant construction or purchase of real property, equipment, other assets, or intangibles.
 - i. Liabilities which are subordinated in any way to actual or possible liabilities.
 - j. Material amounts of rental obligations under long-term leases.
 - k. Authorized but unissued bonds or notes.
 - l. Risk financing activities.
 - m. Derivative financial instruments.
 - n. Obsolete, damaged, or excess inventories to be reduced to their estimated net realizable values.
 - o. Risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2012, or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2012.
 - p. Material losses to be sustained in the fulfillment of or from the inability to fulfill any service commitment.
 - q. Material losses to be sustained as a result of purchase commitments.
 - r. Deferred compensation agreements.
 - s. Pollution remediation obligations as defined by Section P40 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.
 - t. Debt issues repurchase options or agreements, or sinking fund debts repurchase ordinance requirements.
 - u. Liens or encumbrances on assets or revenues or any assets or revenues which are pledged as collateral for any liability or which are subordinated in any way.
 - v. Concentration of credit risk.
23. The Agency has satisfactory title to all owned assets.
24. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB

Circular No. A-133, because we have not received, expended, or otherwise been the beneficiary of any federal awards over \$500,000 during the period of this audit.

25. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:
- Concentration of credit risk, and
 - Heavily dependent on state and federal funding.
26. We are responsible for determining that significant events or transactions that have occurred since the statement of net position and through March 31, 2013, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net position date and through March 31, 2013, that would require recognition or disclosure in the financial statements. We further represent that as of March 31, 2013, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.
27. Effective January 1, 2012, we adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.
- Effective January 1, 2012, we adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.
28. During the course of your audit, you may have accumulated records containing data that 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.

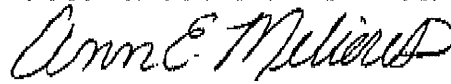
Government Auditing Standards

29. We are responsible for compliance with laws and regulations applicable to the Agency, including the requirement of adopting, approving, and amending budgets.
30. We have identified and disclosed to you:
- a. All laws and regulations that have a direct and material effect on the determination of financial statement amounts or other financial data significant to audit objectives,
 - b. Violations and possible violations of laws, regulations, and provisions of contracts and other agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
31. We have taken timely and appropriate action to evaluate and address fraud, illegal acts, violations of provisions of contracts or other agreements, or abuse that has been reported.
32. We have implemented a process to track the status of audit findings and recommendations.
33. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the correction action taken to address significant findings and recommendations.

34. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned correction actions for the report, if any.
35. We have reviewed, approved, and take full responsibility for the financial statements, related notes, required supplementary information and acknowledge the auditor's role in the preparation of this information.
36. We have reviewed, approved, and take full responsibility for all adjustments and draft financial statements and acknowledge the auditor's role in the preparation of the adjustments and drafting the financial statements.

Very truly yours,

HAMILTON COUNTY, NEW YORK
INDUSTRIAL DEVELOPMENT AGENCY



Ann Melious, Executive Director