

**TOMPKINS COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Ithaca, New York

FINANCIAL REPORT

**For the Year Ended
December 31, 2013**

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tompkins County
Industrial Development Agency
Ithaca, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Tompkins County Industrial Development Agency (the Agency), and its blended component unit, Tompkins County Development Corporation, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents. The Agency is a component unit of the County of Tompkins, State of New York.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Tompkins County Industrial Development Agency and its blended component unit, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 3b 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, or 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 methods 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 2, 2014 on our consideration of the Agency'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.



April 2, 2014
Ithaca, New York

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

The Tompkins County Industrial Development Agency (TCIDA) was created in 1971 to encourage economic growth in Tompkins County. The Tompkins County Development Corporation (TCDC) was created in 2010 for the same purpose and mission as the TCIDA and is considered a blended component unit of the TCIDA. Together, they make up the primary government, which for the purposes of the Management's Discussion and Analysis (MD&A), is referred to as the Agency.

Mission: The Agency's mission is to offer economic incentives to Tompkins County businesses in order to create and retain quality employment opportunities and strengthen the local tax base.

The following MD&A provides a comprehensive overview of the Agency's financial position as of December 31, 2013, and the result of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at the close of the fiscal year ended December 31, 2013 by \$643,386 compared to \$388,489 at December 31, 2012.
- Total revenues in 2013 were \$554,334 compared to revenues of \$46,506 in 2012. A number of projects were processed by the TCDC, resulting in increased fee income.
- Total expenses of \$299,437 in 2013 decreased by \$(170,407) from total expenses of \$469,844 in 2012. Accounting for most of this decrease is a reduction in the annual contribution to Tompkins County Area Development of \$137,200. There were also decreases in administrative expenses, and the re-captured interest distribution of \$26,836 expensed in 2012 did not recur in 2013.

Overview of the Basic Financial Statements

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Agency and its blended component unit and the financial activity and results of its operations during the year. A description of these statements follows:

The **Statement of Net Position** presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The **Statement of Revenues, Expenses, and Changes in Net Position** presents information showing the change in the Agency's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement include all items that will result in cash received or disbursed in future fiscal periods.

The **Statement of Cash Flows** provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used by operating, non-capital financing, capital financing, and investing activities.

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

Component Unit:

The Agency reports the Tompkins County Development Corporation as a blended component unit. Although legally separate, this component unit is important because of the Agency's control of and fiscal relationship with the Corporation.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's total net position for fiscal year ended December 31, 2013 increased by \$254,897. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Agency's activities.

Figure 1

Condensed Statement of Net Position	Total Agency		Total Dollar Change
	2012	2013	2012 - 2013
<i>Current assets:</i>			
Cash	\$ 364,822	\$ 624,052	\$ 259,230
Administrative fees receivable within one year	23,667	19,334	(4,333)
Total Current Assets	388,489	643,386	254,897
<i>Non-current assets:</i>			
Administrative fees receivable in more than one year	-0-	-0-	-0-
Total Assets	388,489	643,386	254,897
Total Liabilities	-0-	-0-	-0-
Total Unrestricted Net Position	\$ 388,489	\$ 643,386	\$ 254,897

The increase in cash is due to operating results in 2013. The decrease in administrative fees receivable within one year reflects the payment of prior year receivables of the Agency. No receivables are recorded by the TCDC as project fees earned were paid within the year.

Our analysis in *Figure 2* considers the operations of the Agency's activities.

Figure 2

Changes in Net Position	Business-type Activities and Total Agency		Total Dollar Change
	2012	2013	2012 - 2013
<i>Operating revenues:</i>			
Fees	\$ 45,911	\$ 553,755	\$ 507,844
Total Operating Revenues	45,911	553,755	507,844
<i>Non-operating revenues:</i>			
Interest and earnings	595	579	(16)
Total Revenues	595	579	(16)
<i>Operating expenses:</i>			
Contractual expenses	443,008	299,437	(143,571)
Re-captured interest distribution	26,836	-0-	(26,836)
Total Expenses	469,844	299,437	(170,407)
(DECREASE) INCREASE IN NET POSITION	\$ (423,338)	\$ 254,897	\$ 678,235

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

Total revenues for the Agency's activities increased by \$507,828. As noted in the financial highlights, the increase in revenues is due to the increase in project fees.

Total expenses for the Agency decreased \$(170,407) or (36.27)%. The decrease in expenses is due to a decrease in the annual contribution to TCAD of \$137,200, no distribution of re-captured interest in current year, as well as lower administrative expenses.

FACTORS BEARING ON THE AGENCY'S FUTURE

- The Agency's capacity to support economic development activities has been challenged by the economic cycle. The Agency has committed \$100,000 to Tompkins County Area Development (TCAD) for economic development in 2014. The Agency and TCAD have begun efforts to secure other funding sources in order to ensure that there is a consistent investment in economic development activities.
- Tompkins County has established a complementary economic development entity, Tompkins County Development Corporation, which has the authority to finance public facilities of the local universities and hospital. Fees generated by the Development Corporation will supplement economic development activities. The Development Corporation has committed \$134,700 to Tompkins County Area Development for economic development in 2014.
- Subsequent to year-end, the Tompkins County Legislature, in recognition of the declining TCIDA financial position, approved a funding plan to supplement TCIDA's resources in support of economic development activities. This plan would reduce funding pressure on the financial resources of TCIDA.
- The Development Corporation's continued authority to finance certain public facilities might be exposed to legislative curtailment in the future, because the NYS Dormitory Authority provides similar services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's clients, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Tompkins County Industrial Development Agency, at 401 E. MLK Jr. Street/401 E. State Street, Suite 402B, Ithaca, NY 14850.

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2013

ASSETS

	<u>Industrial Development Agency</u>	<u>Development Corporation</u>	<u>Total Primary Government</u>
Current Assets:			
Cash and cash equivalents	\$ 137,397	\$ 486,655	\$ 624,052
Administrative fees receivable within one year	<u>19,334</u>	<u> </u>	<u>19,334</u>
Total Assets	<u>\$ 156,731</u>	<u>\$ 486,655</u>	<u>\$ 643,386</u>

LIABILITIES AND NET POSITION

Total Liabilities	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Unrestricted Net Position	<u>156,731</u>	<u>486,655</u>	<u>643,386</u>
Total Liabilities and Net Position	<u>\$ 156,731</u>	<u>\$ 486,655</u>	<u>\$ 643,386</u>

See Independent Auditor's Report and Notes to Financial Statements

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Industrial Development Agency</u>	<u>Development Corporation</u>	<u>Total Primary Government</u>
Operating Revenues:			
Fees	\$ 35,655	\$ 518,100	\$ 553,755
Total Operating Revenues	<u>35,655</u>	<u>518,100</u>	<u>553,755</u>
Operating Expenses:			
Contribution to Tompkins County Area Development	104,000	187,800	291,800
Professional and administrative expenses	<u>7,637</u>	<u> </u>	<u>7,637</u>
Total Operating Expenses	<u>111,637</u>	<u>187,800</u>	<u>299,437</u>
Operating (Loss) Gain	<u>(75,982)</u>	<u>330,300</u>	<u>254,318</u>
Non-Operating Revenues:			
Interest and earnings	<u>139</u>	<u>440</u>	<u>579</u>
Total Non-Operating Revenues	<u>139</u>	<u>440</u>	<u>579</u>
Net (Loss) Gain	(75,843)	330,740	254,897
Unrestricted Net Position, January 1, 2013	<u>232,574</u>	<u>155,915</u>	<u>388,489</u>
Unrestricted Net Position, December 31, 2013	<u>\$ 156,731</u>	<u>\$ 486,655</u>	<u>\$ 643,386</u>

See Independent Auditor's Report and Notes to Financial Statements

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Industrial Development Agency</u>	<u>Development Corporation</u>	<u>Total Primary Government</u>
Cash Flows from Operating Activities:			
Cash received from providing services	\$ 39,988	\$ 518,100	\$ 558,088
Cash payments - Contractual expenses	<u>(111,637)</u>	<u>(187,800)</u>	<u>(299,437)</u>
Net Cash (Used) Provided by Operating Activities	<u>(71,649)</u>	<u>330,300</u>	<u>258,651</u>
Cash Flows from Non-Capital Financing Activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Cash Flows from Investing Activities:			
Interest income received	<u>139</u>	<u>440</u>	<u>579</u>
Net Cash Provided by Investing Activities	<u>139</u>	<u>440</u>	<u>579</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(71,510)	330,740	259,230
Cash and Cash Equivalents, January 1, 2013	<u>208,907</u>	<u>155,915</u>	<u>364,822</u>
Cash and Cash Equivalents, December 31, 2013	<u>\$ 137,397</u>	<u>\$ 486,655</u>	<u>\$ 624,052</u>
Reconciliation of operating (loss) gain to net cash (used) provided by operating activities:			
Operating (loss) gain	\$ (75,982)	\$ 330,300	\$ 254,318
Adjustments to reconcile operating (loss) gain to net cash (used) provided by operating activities:			
Decrease in administrative fees receivable	<u>4,333</u>	<u>-0-</u>	<u>4,333</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (71,649)</u>	<u>\$ 330,300</u>	<u>\$ 258,651</u>

See Independent Auditor's Report and Notes to Financial Statements

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Tompkins County Industrial Development Agency (the Agency) and its component unit have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Agency's accounting policies are described below.

A. Financial Reporting Entity

The Agency was created in 1971 by the Tompkins County Legislature under the provisions of Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth in Tompkins County. The Agency is exempt from federal, state, and local income taxes. The Agency, although established by the Tompkins County Board of Representatives, is a separate entity and operates independently from the County. The Agency is considered a component unit of the County.

All Governmental Activities and functions performed by the County of Tompkins are its direct responsibility.

The financial reporting entity consists of (a) the primary government which is the Tompkins County Industrial Development Agency, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statement Numbers 14 and 34."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statement Numbers 14 and 34," including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is included as a blended component unit:

Tompkins County Development Corporation (Corporation) - Similar to the Agency, the Corporation was formed for the purpose of encouraging economic growth in Tompkins County during 2010. Because New York State has legislated industrial development agencies can no longer serve not for profit entities, the Corporation will serve that segment of the economy in Tompkins County.

B. Basis of Accounting

The accounts of the Agency and its component unit are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned. Material revenues accrued include administrative fees. Expenses are recorded when the liability is incurred.

C. Cash and Cash Equivalents

The Agency and its component unit consider all highly liquid investments having an original maturity of three months or less to be cash equivalents.

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

D. Equity Classifications

Statement of Net Position

- Restricted
 Consists of net resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation. The Agency had no restricted net resources at year-end.

- Unrestricted
 Consists of all other resources that do not meet the definition of "restricted."

E. Related Parties

Tompkins County Area Development (TCAD)

TCAD is a private, not-for-profit organization founded in 1964 that provides the Ithaca area with innovative services to strengthen the economy. The President of TCAD serves as the Administrative Director of the Agency and serves on the Agency's Board of Directors. During the year ended December 31, 2013, there were three additional members of the TCAD Board of Directors serving on the Board of Directors of the Tompkins County Industrial Development Agency.

Workforce Investment Board (WIB)

The WIB was created to meet employer workforce needs and facilitate employment and development appointments for individuals in Tompkins County. The President of TCAD and one County legislator served on the WIB. Services provided by the WIB are coordinated by a County employee and are funded by grants procured through the County.

F. Revenues

The Agency and Corporation first utilize restricted resources to finance qualifying activities.

Note 2 - Operating Revenues

Operating revenues of the Agency and its component unit consist of administrative fees. Investment earnings are reported as non-operating revenues.

Note 3 - Administrative Fees Receivable

Administrative fees receivable at year-end are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ <u>19,334</u>
Total	\$ <u><u>19,334</u></u>

No provision has been made for uncollectible receivables as the Agency believes all receivables to be fully collectible. There were no fees receivable for the Corporation at year-end.

TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 4 - Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency and Corporation are secured by property leased to companies and retired by lease payments. The bonds and notes are not obligations of the Agency, Corporation or the State. The Agency and Corporation do not record the assets or liabilities resulting from completed bond and note issues in its accounts, because its primary function is to arrange financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency and Corporation receive bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2013, the outstanding value of bonds and notes issued aggregated \$264,361,715 and \$114,268,065 for the Agency and Corporation, respectively.

Note 5 - Payments in Lieu of Tax

During the time in which property is leased to a company, the property is exempt from taxes other than special and valorem levies and special assessments. However, the Agency entered into a Payment in Lieu of Tax (PILOT) agreement wherein the company is required to make annual payments to the County, local municipalities, and school districts.

In 2013, \$5,265,397 was received in PILOTS compared to the \$7,036,840 which would have been received if businesses paid the full amount of taxes; for a total tax abatement of \$1,771,443.

Note 6 - Deposits and Investments

State statutes govern the Agency's and Corporation's investment policies. In addition, the Agency and the Corporation have their own written investment policy. Monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit for the Agency and Corporation at 105% and 100%, respectively, of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Total bank balances of the Agency and Corporation of \$137,397 and \$486,655, respectively, at December 31, 2013 are covered by FDIC insurance up to \$250,000. As of December 31, 2013, the Corporation did not have a Collateral Agreement with financial institution, which resulted in an uninsured balance of \$236,655. The carrying value of deposits of the Agency and Corporation at December 31, 2013 totaled \$137,397 and \$486,655, respectively.

Note 7 - Related Parties

During 2013, the Agency and the Corporation paid TCAD \$104,000 and \$187,800, respectively, for economic development and marketing services.

Note 8 - Commitments

During the year ended December 31, 2013, the Board of Directors of the Agency and Corporation passed resolutions authorizing the following 2014 budgetary commitments to TCAD:

Agency	\$	<u>100,000</u>
Corporation	\$	<u>134,700</u>

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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

Board of Directors
Tompkins County
Industrial Development Agency
Ithaca, New York

We have audited, in accordance with the 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, the financial statements of the business-type activities and the blended component unit, Tompkins County Development Corporation, of Tompkins County Industrial Development Agency (the Agency), a component unit of the County of Tompkins, State of New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated April 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Ninkovic & Company, LLP". The signature is written in a cursive, flowing style.

April 2, 2014
Ithaca, New York