



March 29, 2013

To The Members of the County of
Sullivan Industrial Development Agency
Monticello, NY 12701

We have audited the financial statements of the County of Sullivan Industrial Development Agency for the years ended December 31, 2012 and 2011, and have issued our report thereon dated March 29, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 23, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. The Agency has implemented the following new standards issued by the Governmental Accounting Standards Board (GASB) for the year ended December 31, 2012:

GASB 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.

GASB 60 – Accounting and Financial Reporting for Service Concession Arrangements.

GASB 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

GASB 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions.

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We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 3 - Disclosure of the Agency's outstanding revolving loans receivable as of December 31, 2012.

Note 7 – Disclosure related to the Agency's purchase of equipment and subsequent lease agreement with Catskill Distilling Company LTD.

Note 9 – Disclosure of the Agency's transactions with related parties.

Note 10 – Disclosure of the Agency's liability related to grant proceeds used to provide revolving loans to local businesses.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board and management of the County of Sullivan Industrial Development Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cooper, Niemann & Co. CPA's LLP

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