

CITY OF UTICA INDUSTRIAL
DEVELOPMENT AGENCY

REPORT TO THE BOARD OF DIRECTORS

YEAR ENDED DECEMBER 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS

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April 15, 2011

Board of Directors
City of Utica Industrial Development Agency
One Kennedy Plaza
Utica, NY 13502

Dear Members of the Board of Directors:

We are pleased to present the results of our audit of the financial statements of City of Utica Industrial Development Agency (the "Agency"), for the year ended December 31, 2010.

Our audit plan for 2010 included a commitment to understand and deliver on management's expectations. Our approach to the audit was designed to combine a historical perspective with a focus on the Agency's industry and current emerging business issues.

This report to the Board of Directors summarizes our audit process, the scope of our engagement, and the reports issued and various observations related to the Agency's financial position and results of operations. This document also reviews the Board of Directors communications required by our professional standards, as well as current accounting issues that will affect the Agency.

The completion of this year's audit was accomplished through the effective support and assistance of the Agency's finance and administrative personnel. As always, we strive to continually improve the quality of our audit services.

We appreciate the opportunity to serve you. If you have questions or comments, please call us at (315) 797-7781.

Sincerely,



Gruver, Zweifel & Scott, LLP

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SUMMARY OF WHAT WE AGREED TO DO

Our Approach

As discussed with management during the planning meetings, our audit plan represented an approach responsive to the assessment of risk of your organization. Specifically, we designed our audit to:

- Issue an opinion on the financial statements of the City of Utica Industrial Development Agency for the year ended December 31, 2010.
- Issue a management letter to management and the Board of Directors.
- Prepare the Agency's annual financial report for the year ended December 31, 2010.

Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

- Audit risk assessment;
- Revenues and expenses;
- Asset impairment;
- Long-term debt;
- Evaluation of going concern;
- Contracted services; and
- Related party activities.

REQUIRED COMMUNICATIONS

Board of Directors
City of Utica Industrial Development Agency
Utica, New York

We have audited the financial statements of City of Utica Industrial Development Agency (the “Agency”) for the year ended December 31, 2010, and have issued our report thereon dated April 15, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 2011. 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 selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Agency are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

- Management's estimate of the impairment of the Harza building is based on an evaluation of its sale price to potential buyers. We evaluated the key factors and assumptions used to develop the impairment value in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

- The disclosures of going concern considerations in Note 4 to the financial statements reflects an evaluation of the current financial state of the entity.

Difficulties Encountered in Performing the Audit

We encountered no 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.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' 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 April 15, 2011.

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 that 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 Organization'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 of Directors and management of City of Utica Industrial Development Agency and is not intended to be and should not be used by anyone other than these specified parties.

Gruba, Jureifel & Scott, LLP

Clinton, New York
April 15, 2011

MANAGEMENT LETTER

Board of Directors
City of Utica Industrial Development Agency
Utica, New York

In planning and performing our audit of the financial statements of the Agency as of and for the year ended December 31, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 controls.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control 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 and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

Gruva, Jureifel & Scott, LLP

Clinton, New York
April 15, 2011