

OTSEGO COUNTY CAPITAL RESOURCE
CORPORATION

REPORT TO THE BOARD OF DIRECTORS

Year ended December 31, 2013

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Certified Public Accountants

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May 5, 2014

Board of Directors
Otsego County Capital Resource Corporation
Oneonta, New York

Dear Members of the Board of Directors:

We are pleased to present the results of our audit of the financial statements of the Otsego County Capital Resource Corporation ("OCCRC") for the year ended December 31, 2013.

Our audit plan for the 2013 audit 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 OCCRC's industry and current emerging issues.

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

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

We appreciate the opportunity to serve you. If you have any questions or comments, please call us at (607) 432-8700.

Sincerely,

A handwritten signature in cursive script that reads "Mostert, Manzanero & Scott, LLP". The signature is written in black ink on a light-colored background.

Mostert, Manzanero & Scott, LLP

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SUMMARY OF WHAT WE AGREED TO DO

Our Approach

As communicated to management and the board of directors in our planning letter dated January 2, 2014 our audit plan represented an approach responsive to the assessment of risk of OCCRC. Specifically, we designed our audit to:

- Issue an opinion on the financial statements of OCCRC for the year ended December 31, 2013.
- Issue a management letter to the Board of Directors and management.
- Issue a Independent Auditors' 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*.

Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

- Revenue, grants, and related receivables;
- Audit risk assessment;
- Accounts payable and accrued expenses; and
- Related part activity.

There were no changes to our planned approach or areas of emphasis.

REQUIRED COMMUNICATIONS

Board of Directors
Otsego County Capital Resource Corporation
Oneonta, New York

We have audited the financial statements of the Otsego County Capital Resource Corporation (“OCCRC”) for the year ended December 31, 2013, and have issued our report thereon dated May 5, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 January 2, 2014. 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 OCCRC 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 OCCRC 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. There are no accounting estimates reflected in the financial statements that we consider to be of a material nature.

The financial statement disclosures are neutral, consistent and clear.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction 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 May 5, 2014.

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 OCCRC'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.

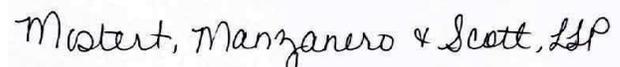
Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Otsego County Capital Resource Corporation and is not intended to be and should not be used by anyone other than these specified parties.



Oneonta, New York
May 5, 2014

MANAGEMENT LETTER

Board of Directors
Otsego County Capital Resource Corporation
Oneonta, New York

In planning and performing our audit of the financial statements of the Otsego County Capital Resource Corporation (“OCCRC”) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered OCCRC’s internal control over financial reporting (internal control) as a basis for designing our audit 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 OCCRC’s internal control. Accordingly, we do not express an opinion on the effectiveness of OCCRC’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 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 material weaknesses. 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.

Best Practice Comment

Bank Reconciliation and Oversight

During our audit, we noted that bank reconciliations had not been reviewed during the audit year.

In most organizations, routine bank reconciliations are a major internal control. It is important that monthly bank reconciliations are performed and compared to the general ledger. If the reconciliation is correct, you know that all cash activity has been posted.

Oversight of this key internal control is also important. Once the bank reconciliations are completed, we recommend that either management and/or the board review the bank reconciliations and bank statements and then initial their approval. This documents the oversight of this important internal control.

This communication 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.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
May 5, 2014