SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

REPORT TO THE BOARD

Year Ended June 30, 2013

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com

MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Dennis J. Scott, CPA

September 6, 2013

Board of Directors
Schoharie County Capital Resource Corporation
Cobleskill, 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 Schoharie County Capital Resource Corporation (the "SCCRC") for the year ended June 30, 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 the SCCRC's industry and current emerging governmental 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 SCCRC'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 the SCCRC.

The completion of this year's audit was accomplished through the effective support and the assistance of the SCCRC'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,

Mostert, Manzanero & Scott, LLP

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As discussed with management and the board of directors 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 SCCRC for the year ended June 30, 2013.
- Issue a management letter to the Board of Directors and management.
- Issue a Report on Internal Control over Financial Reporting and on Internal Control 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 and related receivables;
- Accounts payable and accrued expenses;
- Related party activity;
- Evaluation of going concern; and
- Audit risk assessment.

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

REQUIRED COMMUNICATIONS

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We have audited the financial statements of the Schoharie County Capital Resource Corporation (the "SCCRC") (a New York State Corporation) for the year ended June 30, 2013, and have issued our report thereon dated September 6, 2013. Professional standards require that we provide you with the following 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 May 15, 2013. 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 SCCRC 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 SCCRC 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.

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For purposes of this letter, a disagreement with management is defined 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 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 September 6, 2013.

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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 SCCRC'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.

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Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, contents, 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 themselves.

This information is intended solely for the use of the Board of Directors and management of the Schoharie County Capital Resource Corporation 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
September 6, 2013

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