

ST. LAWRENCE COUNTY
INDUSTRIAL DEVELOPMENT AGENCY –
LOCAL DEVELOPMENT CORPORATION (CONSOLIDATED)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY –
LOCAL DEVELOPMENT CORPORATION (CONSOLIDATED) (SLCIDA-LDC)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St. Lawrence County Industrial Development
Agency – Local Development Corporation
19 Commerce Lane, Suite 1
Canton, NY 13617

We have audited the accompanying financial statements of the St. Lawrence County Industrial Development Agency – Local Development Corporation (Consolidated) (SLCIDA-LDC), which includes the Greater Massena Economic Development Fund (GMEDF), and the St. Lawrence River Valley Redevelopment Agency (SLRVRA), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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**; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the **United States of America**. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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 financial position of the SLCIDA-LDC (Consolidated) as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the **United States of America**.


Pinto Mucenski Hooper Van Housen & Co.
Certified Public Accountants, P.C.

Ogdensburg, New York
February 2, 2013

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
<u>Current Unrestricted Assets</u>		
Cash in Bank	\$ 261,715	\$ 121,921
Total Current Unrestricted Assets	<u>261,715</u>	<u>121,921</u>
<u>Current Restricted Assets</u>		
Cash	14,460,017	15,107,968
Security Deposits	34,024	34,000
Accrued Interest Receivable	39,264	38,730
Accounts Receivable - NG Marketing	82,650	-
Mortgage Receivable - Current	85,363	79,646
Notes Receivable - Current	899,950	764,496
Total Current Restricted Assets	<u>15,601,268</u>	<u>16,024,840</u>
<u>Restricted Fixed Assets - Net</u>	<u>1,278,645</u>	<u>1,307,942</u>
<u>Long-Term Restricted Assets</u>		
Mortgage Receivable - Long Term	429,304	515,931
Notes Receivable - Long Term	2,935,400	3,319,376
Total Long-Term Restricted Assets	<u>3,364,704</u>	<u>3,835,307</u>
Total Restricted Assets	<u>20,244,617</u>	<u>21,168,089</u>
Total Assets	<u><u>20,506,332</u></u>	<u><u>21,290,010</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	2,377	-
Security Deposits Payable	34,024	34,000
Total Current Liabilities	<u>36,401</u>	<u>34,000</u>
Total Liabilities	<u>36,401</u>	<u>34,000</u>
<u>Net Assets</u>		
Unrestricted	261,715	121,921
Temporarily Restricted	20,208,216	21,134,089
Total Net Assets	<u>20,469,931</u>	<u>21,256,010</u>
Total Liabilities and Net Assets	<u><u>\$ 20,506,332</u></u>	<u><u>\$ 21,290,010</u></u>

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Support						
Interest Income	\$ 95,643	\$ 113,871	\$ 209,514	\$ 19	\$ 177,120	\$ 177,139
WIB Director Revenue	13,253	-	13,253	-	-	-
Training Projects Income	-	167,204	167,204	-	-	-
NG Marketing Initiative Income	-	136,603	136,603	-	-	-
1st CIB - IDA Revenue	1,794,233	-	1,794,233	-	-	-
Rental Income	-	87,280	87,280	-	74,783	74,783
Administration Fees	300,000	-	300,000	300,000	-	300,000
Miscellaneous Income	5,747	-	5,747	200	2,630	2,830
Total Support	2,208,876	504,958	2,713,834	300,219	254,533	554,752
Expenses						
Program Services						
Administration	-	7,200	7,200	-	9,000	9,000
Advertising & Marketing	-	165,930	165,930	-	-	-
Bad Debt Expense	-	-	-	-	201,246	201,246
Contractual	-	354,000	354,000	-	375,196	375,196
Community Development	-	738,350	738,350	-	56,079	56,079
Depreciation	-	14,000	14,000	-	2,333	2,333
Filing Fees	-	258	258	-	258	258
Insurance	-	8,852	8,852	-	11,633	11,633
Legal Expense	-	3,665	3,665	-	280	280
Maintenance	-	266	266	-	-	-
Mileage	-	1,018	1,018	-	-	-
Miscellaneous	-	808	808	-	200	200
Property Taxes	-	22,416	22,416	-	20,535	20,535
Training Projects Expense	-	68,291	68,291	-	-	-
Underwriting/Credit Reports	-	880	880	-	938	938
Utilities	-	131	131	-	12	12
Total Program Services	-	1,386,065	1,386,065	-	677,710	677,710
Management and General						
Accounting Expense	-	12,450	12,450	-	7,008	7,008
1st CIB - IDA Capital Expense	1,794,233	-	1,794,233	-	-	-
County Reimbursement	-	-	-	-	-	-
Depreciation Expense	-	15,297	15,297	-	15,297	15,297
Employee Benefits	567	-	567	622	-	622
IDA Admin Fees	200,000	-	200,000	-	-	-
Insurance	-	2,543	2,543	-	1,792	1,792
Legal Expenses	-	13,149	13,149	-	24,160	24,160
Memberships & Dues	-	175	175	-	175	175
Meeting Expenses	-	536	536	-	406	406
Miscellaneous Expense	-	509	509	-	741	741
Office Expense	-	107	107	-	-	-
Payroll Processing Fees	1,927	-	1,927	1,751	-	1,751
Payroll Taxes	5,505	-	5,505	2,043	-	2,043
RVRDA Partnership Expense	-	-	-	300,000	-	300,000
Salaries	66,850	-	66,850	29,994	-	29,994
Total Management and General	2,069,082	44,766	2,113,848	334,410	49,579	383,989
Total Expenses	2,069,082	1,430,831	3,499,913	334,410	727,289	1,061,699
Increase (Decrease) in Net Assets	139,794	(925,873)	(786,079)	(34,191)	(472,756)	(506,947)
Prior Period Adjustment	-	-	-	-	(26,109)	(26,109)
Net Assets - Beginning of Year	121,921	21,134,089	21,256,010	156,112	21,632,954	21,789,066
Net Assets - End of Year	\$ 261,715	\$ 20,208,216	\$ 20,469,931	\$ 121,921	\$ 21,134,089	\$ 21,256,010

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>OPERATING ACTIVITIES</u>		
Increase (Decrease) in Net Assets	\$ (786,079)	\$ (506,947)
<u>Adjustments to Reconcile Change in Net Assets to Cash Flows Provided (Used) by Operating Activities:</u>		
Depreciation	29,297	17,630
Prior Period Adjustment	-	(26,109)
Changes in Operating Assets and Liabilities:		
Decrease (Increase)		
Accrued Interest Receivable	(534)	2,375
Accounts Receivable - NG Marketing	(82,650)	-
Prepaid Expenses	-	121
Accounts Payable	2,377	(6,961)
Payroll Tax Liability	-	(4)
	<u>(837,589)</u>	<u>(519,895)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
<u>INVESTING ACTIVITIES</u>		
New Loans & Notes	(465,182)	(2,237,000)
Fixed Asset Purchases	-	(700,000)
Loan Write Offs	-	201,246
Payments on Mortgages	80,910	78,040
Payments on Loans & Notes	713,704	1,040,643
	<u>329,432</u>	<u>(1,617,071)</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>		
<u>FINANCING ACTIVITIES</u>	-	-
<u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(508,157)	(2,136,966)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>15,229,889</u>	<u>17,366,855</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,721,732</u>	<u>\$ 15,229,889</u>

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Program Services	Supporting Services	Totals	Program Services	Supporting Services	Totals
	Revolving Loans	Management and General		Revolving Loans	Management and General	
Accounting	\$ -	\$ 12,450	\$ 12,450	\$ -	\$ 7,008	\$ 7,008
Administraton	7,200	-	7,200	9,000	-	9,000
Advertising	53,953	\$ -	53,953	-	-	-
Bad Debt Expense	-	-	-	201,246	-	201,246
1st CIB-IDA Capital Expenses	-	1,794,233	1,794,233	-	-	-
Contractual	354,000	-	354,000	375,196	-	375,196
Community Development	738,350	-	738,350	56,079	-	56,079
Depreciation	14,000	15,297	29,297	2,333	15,297	17,630
Employee Benefits	-	567	567	-	622	622
Filing Fees	258	-	258	258	-	258
Legal Expense	3,665	13,149	16,814	280	24,160	24,440
IDA Administration Fees	-	200,000	200,000	-	-	-
Insurance	8,852	2,543	11,395	11,633	1,792	13,425
Maintenance	266	-	266	-	-	-
Marketing Expense	111,977	-	111,977	-	-	-
Memberships & Dues	-	175	175	-	175	175
Meeting Expense	-	536	536	-	406	406
Mileage	1,018	-	1,018	-	-	-
Miscellaneous Expense	808	509	1,317	200	741	941
Office Supplies	-	107	107	-	-	-
Payroll Processing Fees	-	1,927	1,927	-	1,751	1,751
Payroll Taxes	-	5,505	5,505	-	2,043	2,043
Property Taxes	22,416	-	22,416	20,535	-	20,535
RVRDA Partnership Expense	-	-	-	-	300,000	300,000
Salaries	-	66,850	66,850	-	29,994	29,994
Training Projects Expense	68,291	-	68,291	-	-	-
Underwriting/Credit Reports	880	-	880	938	-	938
Utilities	131	-	131	12	-	12
Totals (Exhibit II)	\$ 1,386,065	\$ 2,113,848	\$ 3,499,913	\$ 677,710	\$ 383,989	\$ 1,061,699

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the St. Lawrence County Industrial Development Agency Local Development Corporation (Consolidated) (SLCIDA-LDC), which includes the Greater Massena Economic Development Fund (GMEDF), and the St. Lawrence River Valley Redevelopment Agency (SLRVRA) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Financial Statement Presentation

The Organizations have adopted *FASB ASC 958-205*. Under this standard, the SLCIDA-LDC (Consolidated) is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the SLCIDA-LDC (Consolidated) is required to present a statement of cash flows. As provided by this statement, the SLCIDA-LDC (Consolidated) previously discontinued its use of fund accounting and has, accordingly, arranged its consolidated financial statements to present the three classes of net assets, as applicable.

(b) Contributions

The SLCIDA-LDC (Consolidated) has also adopted *FASB ASC 958-605*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

(c) Nature of Operations

On April 29, 1986, the St. Lawrence County Industrial Development Agency (SLCIDA) created a Local Development Corporation known as the St. Lawrence County Industrial Development Agency Local Development Corporation (SLCIDA-LDC). St. Lawrence County assigned all of the loan repayments from the County Community Development Block Grant (CDBG) Projects to SLCIDA for the purpose of establishing a county wide revolving loan fund. Upon the formation of the SLCIDA-LDC, the SLCIDA assigned all of its rights in the CDBG assignment to the SLCIDA-LDC for collection and administration.

SLCIDA also utilizes the SLCIDA-LDC to administer the assets of the Greater Massena Economic Development Fund (GMEDF) and the St. Lawrence River Valley Redevelopment Agency (SLRVRA).

The GMEDF was established in 1987 with a \$1,000,000 grant from the New York Power Authority to be used to provide loans to certain business enterprises for the establishment, maintenance, or expansion of plants, facilities or operations in the Town of Massena and the County of St. Lawrence in the State of New York. The New York Job Development Authority ("JDA") initially agreed to assume administrative responsibility for the GMEDF.

Accordingly, JDA held and invested all monies of the GMEDF, paid its bills and administered economic development loans. The GMEDF has no employees, and in accordance with the

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

underlying agreement, JDA waived any reimbursement of administrative costs as its contribution to the GMEDF's program.

The GMEDF was a financial reporting component unit of JDA and, as such, its financial position and operating results were included in the JDA's financial statements. JDA was a component unit of New York State and, as such, its financial statements were included in the State of New York's financial statements.

In October 2000, the role of Trustee of the GMEDF was formally transferred by mutual agreement from JDA to the SLCIDA, effective June 30, 2001. The GMEDF was combined with the efforts and activities of the SLCIDA-LDC. The SLCIDA-LDC is a Not-For-Profit Corporation formed under the Not-For-Profit Corporation Law of the State of New York by the SLCIDA as defined in subparagraph(a)(5) of Section 402 of the Law. For tax reporting purposes, the accounts of the GMEDF were consolidated with those of the SLCIDA-LDC for joint reporting as a combined entity.

The SLRVRA is a joint action agency formed on June 2, 2010 to make use of certain New York Power Authority assets for the purposes of economic development in the St. Lawrence Valley and surrounding communities. The New York Power Authority has made available certain assets consisting of \$16 million and 20 megawatts of electrical power generation from hydro-electric facilities situated on the St. Lawrence River. There is an agreement in place between the SLRVRA and the SLCIDA-LDC for the administration of these assets. The SLRVRA has no employees.

As of December 31, 2011, the SLRVRA and SLCIDA-LDC had been provided the \$16 million. On October 18, 2012, a second agreement between the New York Power Authority (NYPA) and the SLRVRA as to the allocation of the 20 megawatts of electricity has been approved and the power allocation can be made available.

d) Use of Estimates

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(e) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the entities consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(f) Temporarily Restricted Net Assets

The temporarily restricted net assets represent:

- The amount of the SLCIDA-LDC's Revolving Loan Fund created by St. Lawrence County to stimulate the growth of private sector industrial employment in St. Lawrence County, New York. The revolving loan fund provides financial assistance to applicants that: (1) wish to expand or to build new facilities; (2) must modernize their physical plant or equipment and machinery; and (3) require working capital funding to retain or expand their operations.
- The amount of the GMEDF which was created by a \$1,000,000 grant from the New York Power Authority to be used to provide loans to certain business enterprises for the establishment, maintenance, or expansion of plants, facilities or operations in the Town of Massena and the County of St. Lawrence in the State of New York.
- Activity related to a \$16,000,000 grant from the New York Power Authority.

(g) Income Taxes

The SLCIDA-LDC is duly established under Section 402 and 1411 of the Not-for-Profit Corporation Law of the State of New York. The SLCIDA-LDC) was determined to be exempt from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code shortly after formation. The GMEDF and SLRVRA are consolidated with the SLCIDA-LDC for information return reporting purposes.

Accounting principles generally accepted in the United States of America require the entities to evaluate all significant tax positions. As of December 31, 2012 the entities do not believe that they have taken any positions that would require the recording of any tax liability, nor does it believe that there are any unrealized tax benefits that should be recorded or that would increase or decrease within the next year.

(h) Donated Assets and Services

The estimated fair value of the full use of facilities owned by others and the estimated fair value of contributed services over which the SLCIDA-LDC exercises control, which constitute a part of the normal services that would otherwise be performed by paid personnel, have not been reflected in the accompanying financial statements. Also, the value of other donated services (board members, etc.) is not reflected in the accompanying financial statements.

(i) Depreciation

Depreciation is calculated on buildings and improvements on the straight-line method over a 50 year life. Depreciation expense for the years ended December 31, 2012, and 2011 was \$29,297, and \$17,630, respectively.

(j) Advertising

The SLCIDA-LDC expenses advertising costs as they are incurred. Advertising expenses were \$165,930 and \$-0- for the years ended December 31, 2012 and 2011, respectively.

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - RESTRICTED CASH

Restricted cash for the years ended December 31, 2012 and 2011 was \$14,460,017, and \$15,107,968, respectively. Monies are currently invested in accounts at Key Bank, NBT Bank, Community Bank, Upstate National Bank, and First Niagara Bank. On September 5, 2012 the SLC IDA-LDC authorized depositing \$100,000 into a certificate of deposit at NBT Bank to be used as collateral for a \$200,000 line of credit that NBT Bank extended to Ansen Corporation. NBT Bank will manage the line of credit. The balance in the restricted cash accounts is to be used for loans and other specific development activities.

NOTE 3 – NATIONAL GRID MARKETING AGREEMENT (NG MARKETING)

The SLC IDA-LDC and the SLRVRA have partnered with National Grid, CITEC and others to do a larger scale marketing effort. During 2012 \$107,906 in costs associated with the initiative were spent. Upon completion up to \$82,650 of the total costs will be reimbursed from National Grid and split between the SLC IDA-LDC and SLRVRA. We expect this marketing initiative to be completed in 2013.

NOTE 4 – RESTRICTED MORTGAGES AND NOTES RECEIVABLE

The entities carry their restricted mortgages and notes receivable at cost recognizing interest income on the accrual basis as specified in the various note agreements. On a periodic basis, the entities evaluate their restricted notes receivable and will establish write offs as economic conditions warrant. The Boards will determine which notes are written off based on uncollectibility. All notes are considered collectible until all legal remedies have been exhausted. Details of the mortgages and notes as of December 31, 2012 and 2011 follow in Note 10.

NOTE 5 – LOANS TO RELATED PARTIES

SLC IDA – Massena Lot #20 Loan: On December 7, 2005, the St. Lawrence County Industrial Development Agency (SLCIDA) authorized the purchase of Lot 20 located at 63 Trade Road, Massena Industrial Park from Michele Audio Corporation of America. Also, SLCIDA authorized borrowing with the SLCIDA-LDC to finance the purchase of Lot 20. Total advances were made by the SLCIDA-LDC in the amount of \$217,204. This promissory note receivable from SLCIDA has a term of 10 years at 3% interest. The balance due on the note receivable at December 31, 2012 and 2011 was \$71,971 and \$94,557, respectively.

NOTE 6 – LOANS IN ARREARS

As of December 31, 2012 there were no loans in arrears.

NOTE 7 – LOANS IN DEFAULT

DE Kerr Logging, (SLC IDA-LDC) last payment made on June 14, 2010 was for a partial February 2009 payment. This matter has been referred to legal counsel for collection.

St. Lawrence Food Corp. (GMEDF) (“Food Corp.”) previously defaulted on its note. On or about July 9, 2008, Signature Bank, a judgment creditor of Food Corp., sold Food Corp.’s assets, including GMEDF’s collateral to one of its affiliates, SB AHLCSLSS LLC, subject to GMEDF’s lien. SB AHLCSLSS LLC thereafter sold the collateral to Toobro, LLC. Our legal counsel is currently attempting to determine

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

whether the sale to Toobro, LLC was also subject to the IDA-LDC's lien, or whether the sale was in violation of the GMEDF's lien since it did not receive prior notice of the sale.

This loan was guaranteed by Food Corp.'s principal, Moise Banayan, who filed for Chapter 7 protection in December 2008. Mr. Banayan's bankruptcy case is an asset case, so there will be a distribution to unsecured creditors. Our legal counsel filed a proof of claim on behalf of GMEDF with the bankruptcy court, so GMEDF will receive a pro rata distribution. Counsel continues to monitor the bankruptcy case to ensure that GMEDF receives its distribution, the amount of which will be determined through the bankruptcy proceedings.

An agreement was reached with Toobro in September of 2012. They will pay a total of \$20,000 for the equipment. The terms were \$5,000 down and \$1,250 per month for 12 monthly payments. As of December 31, 2012 Toobro is in default of said agreement. This matter is being handled by the Harris Beach law firm.

Youngs Brothers Stick Stringing – (GMEDF) On July 7, 2011 Tim Youngs came in to the office to state that he would be filing chapter 7 bankruptcy. October 31, 2011 we received notice that NBT was foreclosing on property. Mr. Youngs filed for bankruptcy and the property was auction by NBT Bank. We have been advised by legal counsel that this debt is no longer collectible. A resolution will remove debt from the record in 2013.

NOTE 8 – COMMUNITY DEVELOPMENT ENVIRONMENTAL IMPROVEMENT PROJECTS

The SLRVRA has allocated awards in both years as part of its CDEIP as follows:

<u>CDEIP</u>	<u>Available</u>	<u>Expended</u>		<u>Balance Remaining</u>
		<u>2011</u>	<u>2012</u>	
2011 Awards	\$ 790,000	\$ 56,079	\$ 254,798	\$ 479,123
2012 Awards	571,052	-	483,552	87,500
Total	<u>\$ 1,361,052</u>	<u>\$ 56,079</u>	<u>\$ 738,350</u>	<u>\$ 566,623</u>

NOTE 9 – FIXED ASSETS

Fixed Assets at December 31, 2012 and 2011 consisted of:

	<u>2012</u>	<u>2011</u>
Fourth Massena Industrial Building	\$ 594,233	\$ 594,233
Improvements - Fourth Massena Industrial Building	149,290	149,290
Massena Lot 18 Building - SLRVRA	359,800	359,800
Massena Lot 19 Building - SLRVRA	340,200	340,200
	<u>1,443,523</u>	<u>1,443,523</u>
Less: Accumulated Depreciation	<u>(194,878)</u>	<u>(165,581)</u>
	1,248,645	1,277,942
Land Lot 13 Vacant	30,000	30,000
Total Fixed Assets	<u>\$ 1,278,645</u>	<u>\$ 1,307,942</u>

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 10 - DETAILS OF MORTGAGES AND NOTES RECEIVABLE:

Details of mortgages and notes receivable at December 31, are as follows:

	Origin	Maturity	Interest Rate	Original Amount	Balance	
					2012	2011
Ansen Corporation	07/11/03	08/01/13	3.00%	\$ 300,000	\$ 23,177	\$ 56,631
Ansen Corporation - 2011	06/10/11	07/01/26	2.63%	81,000	74,216	79,154
Ansen Corporation - GMEDF	06/10/11	07/01/18	5.00%	81,000	66,923	76,934
Atlantic Testing Laboratories	10/17/07	11/01/17	4.88%	200,000	110,353	128,209
Atlantic Testing Laboratories -GMEDF	10/17/07	12/01/17	4.88%	200,000	110,369	128,209
Atlantic Testing Laboratories-Bldg	03/01/03	12/01/15	5.25%	50,927	16,503	20,615
Clifton Fine Hospital - GMEDF	05/12/11	06/01/26	2.63%	150,000	137,627	145,892
Curran Renewable Energy	12/13/07	12/01/17	4.63%	400,000	317,762	367,802
Curran Renewable Energy - GMEDF (Mortgage)	12/13/07	12/01/17	4.63%	200,000	149,103	172,604
Curran Renewable Energy-Equip	12/31/12	12/31/27	2.65%	100,000	100,000	-
D E Kerr Construction & Logging (Note 7)	07/11/07	11/01/14	5.13%	41,905	37,964	37,964
Galilee Farms - GMEDF (Mortgage)	06/24/08	12/01/10	3.50%	116,000	47,620	65,457
Gilbert Greens Country Club	04/02/12	04/02/22	2.63%	50,000	48,148	-
Glazier Packaging Co	01/05/06	01/01/16	4.63%	133,333	47,853	62,105
GM Vendor -GMEDF (Mortgage)	11/16/04	12/01/19	3.38%	600,000	317,943	357,516
Hackett's - formerly Wisebuys	12/24/03	07/01/11	3.00%	235,000	93,940	86,737
Hoosier Magnetics - GMEDF	01/27/10	01/01/20	2.63%	200,000	148,602	169,312
Media Accessories - Lot #17 - GMEDF	03/31/09	04/01/19	2.63%	168,000	111,708	126,087
Nicholville Telephone Company - SLRVRA	12/09/11	12/01/18	4.00%	-	366,726	-
North Country Dairy, LLC	12/02/11	12/02/16	2.63%	400,000	324,169	400,000
North Country Dairy, LLC - SLRVRA	12/02/11	12/01/16	2.63%	400,000	324,169	400,000
North Racquette Greenery - GMEDF	12/22/10	06/01/20	2.63%	50,000	40,034	44,913
Potsdam Mineral & Feed	10/17/07	01/01/13	4.88%	40,000	1,499	8,757
Potsdam Specialty Paper	12/15/08	01/01/14	3.00%	200,000	-	87,061
Potsdam Specialty Paper -GMEDF	12/15/08	01/01/14	3.50%	200,000	-	87,061
SLC IDA - Massena Lot #20	12/31/05	12/01/15	3.00%	217,204	71,971	94,557
SLIC Network Solutions	05/11/10	05/01/17	2.63%	120,000	80,958	96,228
SLIC Network Solutions - LOC	08/01/12	08/01/13	5.00%	LOC	295,182	-
SLIC Network Solutions - SLRVRA	12/09/11	12/01/18	4.00%	825,000	403,342	825,000
St Lawrence Foods - GMEDF (Note 7)	02/12/04	03/01/11	3.00%	200,000	131,263	131,263
St Lawrence Lumber, Inc - GMEDF	02/22/07	04/01/14	5.13%	150,000	-	58,200
Structural Wood Corp - GMEDF	12/20/11	12/01/21	2.63%	150,000	137,577	150,000
Structural Wood Corp -SLRVRA	12/20/11	12/01/21	2.63%	150,000	137,577	150,000
Toobro NY, LLC - GMEDF	09/01/12	09/01/13	0.00%	20,000	13,871	-
Woodruff Block Co - #2	05/01/05	04/01/12	3.88%	59,500	-	3,312
Youngs Brothers - GMEDF (Note 7)	07/01/08	10/01/20	3.50%	75,000	61,869	61,869
					\$ 4,350,018	\$ 4,679,449

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 11 – WORKFORCE INVESTMENT BOARD CONTRACT

On July 7, 2012 the SLC IDA-LDC and the St. Lawrence County Workforce Investment Board (SLC WIB) entered into a contract for a person on the SLC IDA-LDC staff to provide services to the SLC WIB as Executive Director for a predetermined monetary fee. This Contract was effective July 1, 2012 through June 30, 2013 with the possibility of extension.

NOTE 12 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from December 31, 2012 through February 2, 2013, the date the financial statements were available to be issued for possible disclosure and recognition in the financial statements. There were no events or transactions that existed which would provide additional information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

The St. Lawrence River Valley Redevelopment Agency authorized and committed itself to loan the St. Lawrence County Industrial Development Agency \$700,000 as financing towards the construction costs of the SLCIDA's new building. As of December 31, 2012 the loan agreement had not been consummated and it is anticipated to be consummated during February or March 2013.



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**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***

To the Board of Directors of
St. Lawrence County Industrial Development Agency –
Local Development Corporation
19 Commerce Lane, Suite 1
Canton, New York 13617

We have audited the financial statements of the governmental activities of the St. Lawrence County Industrial Development Agency – Local Development Corporation (Consolidated) (SLCIDA-LDC), which includes the Greater Massena Economic Development Fund (GMEDF), and the St. Lawrence River Valley Redevelopment Agency (SLRVRA) as of and for the year ended December 31, 2012, and have issued our report thereon dated February 2, 2013. 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**.

Internal Control over Financial Reporting

Management of the SLCIDA-LDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the SLCIDA-LDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SLCIDA-LDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SLCIDA-LDC's internal control over financial reporting.

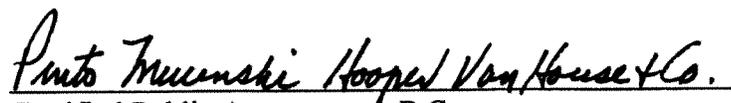
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness in internal control* is a deficiency or a combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the SLCIDA-LDC's financial statements will not be prevented, or detected and corrected on a timely basis. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SLCIDA-LDC's 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***.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Pruthi Trucinski Hoopes Van Housen & Co.
Certified Public Accountants, P.C.

Ogdensburg, New York
February 2, 2013



Pinto·Mucenski·Hooper
Van House & Co.
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February 2, 2013

To the Board of Directors
St. Lawrence County Industrial Development
Agency-Local Development Corporation (Consolidated)
19 Commerce Lane, Suite 1
Canton, New York 13617

We have audited the financial statements of the St. Lawrence County Industrial Development Agency – Local Development Corporation (Consolidated) (SLCIDA-LDC), which includes the Greater Massena Economic Development Fund (GMEDF), and the St. Lawrence River Valley Redevelopment Agency (SLRVRA) for the year ended December 31, 2012 and have issued our report thereon dated February 2, 2013. 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 engagement letter to you dated December 13, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 13, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result for (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf on the entity. We have communicated our significant findings as outlined below.

We began our audit on January 22, 2013 and intended to issue our report on approximately February 2, 2013.

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 SLCIDA-LDC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2012. We noted no transactions entered into by the SLCIDA-LDC 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.

Valuation of Accounts, Mortgage and Notes Receivables and Line of Credit

Management's estimate of the valuation of receivables is based on a review of historical collection rates, contractual agreements, and an analysis of the collectability of individual receivables owed to the Agency. We evaluated the key factors and assumptions used to develop the valuation of receivables and determined that they are reasonable in relation to the financial statements taken as a whole.

Useful Lives Used in Providing Depreciation Expense

Management's estimate of the useful lives of assets used in providing depreciation expense is based on the requirements of generally accepted accounting principles. We evaluated the key factors and assumptions used by management and determined that depreciation expense was 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.

Disclosure of Loans in Arrears, Default, and Written Off

The disclosure of loans in arrears, in default, and written off can be found in Notes 6 and 7 to the financial statements. These notes highlight which loans listed in Note 10 are in conflict with the repayment terms and why.

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 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. 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 the purpose of this letter, 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 February 2, 2013.

Management Consultations with Other Independent Accountants

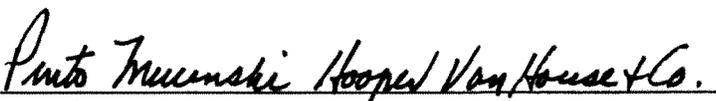
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the SLCIDA-LDC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accounting 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 applications of accounting principles and auditing standards, with management each year prior to retention as the SLCIDA-LDC'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 audit committee, management, and the Board of Directors of the St. Lawrence County Industrial Development Agency – Local Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Piotr Mucinski Hooper Van House & Co.

Certified Public Accountants, P.C.
Ogdensburg, New York