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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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

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INDEPENDENT AUDITOR'S REPORT

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 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, 2013 and 2012, 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 from 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 SLCIDA-LDC'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 SLCIDA-LDC'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 as of December 31, 2013 and 2012 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 VanHouse + Co.

Certified Public Accountants, P.C.
Ogdensburg, New York
March 3, 2014

EXHIBIT I

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current Unrestricted Assets		
Cash in Bank	$ 311,958	$ 261,715
Total Current Unrestricted Assets	311,958	261,715
Current Restricted Assets		
Cash	14,342,989	14,460,017
Security Deposits	-	34,024
Accrued Interest Receivable	44,324	39,264
Accounts Receivable - NG Marketing	82,650	82,650
Mortgage Receivable - Current	88,793	85,363
Notes Receivable - Current	1,033,852	899,950
Total Current Restricted Assets	15,592,608	15,601,268
Restricted Fixed Assets - Net	1,395,076	1,278,645
Long-Term Restricted Assets		
Mortgage Receivable - Long Term	340,483	429,304
Notes Receivable - Long Term	2,157,159	2,935,400
Total Long-Term Restricted Assets	2,497,642	3,364,704
Total Assets	19,797,284	20,506,332
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	-	2,377
Security Deposits Payable	-	34,024
Total Current Liabilities	-	36,401
Total Liabilities	-	36,401
Net Assets		
Unrestricted	311,958	261,715
Temporarily Restricted	19,485,326	20,208,216
Total Net Assets	19,797,284	20,469,931
Total Liabilities and Net Assets	$ 19,797,284	$ 20,506,332

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Support						
Interest Income	$ 13,354	$ 153,742	$ 167,096	$ 95,643	$ 113,871	$ 209,514
WIB Director Revenue	26,705	-	26,705	13,253	-	13,253
Training Projects Income	-	-	-	-	167,204	167,204
NG Marketing Initiative Income	-	-	-	-	136,603	136,603
1st CIB - IDA Revenue	131,496	-	131,496	1,794,233	-	1,794,233
Rental Income	-	92,029	92,029	-	87,280	87,280
Administration Fees	300,000	-	300,000	300,000	-	300,000
Miscellaneous Income	4,499	-	4,499	5,747	-	5,747
Total Support	476,054	245,771	721,825	2,208,876	504,958	2,713,834
Expenses						
Program Services						
Administration	-	7,200	7,200	-	7,200	7,200
Advertising & Marketing	-	48,072	48,072	-	165,930	165,930
Bad Debt Expense	-	61,869	61,869	-	-	-
Contractual	-	351,300	351,300	-	354,000	354,000
Community Development	-	348,672	348,672	-	738,350	738,350
Depreciation	-	14,000	14,000	-	14,000	14,000
Filing Fees	-	-	-	-	258	258
Insurance	-	7,623	7,623	-	8,852	8,852
Legal Expense	-	10,900	10,900	-	3,665	3,665
Maintenance	-	640	640	-	266	266
Mileage	-	60	60	-	1,018	1,018
Miscellaneous	-	19	19	-	808	808
Property Taxes	-	-	-	-	22,416	22,416
Training Projects Expense	-	73,427	73,427	-	68,291	68,291
Underwriting/Credit Reports	-	-	-	-	880	880
Utilities	-	2,581	2,581	-	131	131
Total Program Services	-	926,363	926,363	-	1,386,065	1,386,065
Management and General						
Accounting Expense	-	12,474	12,474	-	12,450	12,450
1st CIB - IDA Capital Expense	131,496	-	131,496	1,794,233	-	1,794,233
Depreciation Expense	-	15,297	15,297	-	15,297	15,297
Employee Benefits	522	-	522	567	-	567
IDA Admin Fees	200,000	-	200,000	200,000	-	200,000
Insurance	-	1,300	1,300	-	2,543	2,543
Legal Expenses	-	12,883	12,883	-	13,149	13,149
Memberships & Dues	-	175	175	-	175	175
Meeting Expenses	-	56	56	-	536	536
Miscellaneous Expense	-	29	29	-	509	509
Office Expense	-	84	84	-	107	107
Payroll Processing Fees	2,010	-	2,010	1,927	-	1,927
Payroll Taxes	6,783	-	6,783	5,505	-	5,505
Salaries	85,000	-	85,000	66,850	-	66,850
Total Management and General	425,811	42,298	468,109	2,069,082	44,766	2,113,848
Total Expenses	425,811	968,661	1,394,472	2,069,082	1,430,831	3,499,913
Increase (Decrease) in Net Assets	50,243	(722,890)	(672,647)	139,794	(925,873)	(786,079)
Net Assets - Beginning of Year	261,715	20,208,216	20,469,931	121,921	21,134,089	21,256,010
Net Assets - End of Year	$ 311,958	$ 19,485,326	$ 19,797,284	$ 261,715	$ 20,208,216	$ 20,469,931

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ (672,647)	$ (786,079)
Adjustments to Reconcile Change in Net Assets to Cash Flows Provided (Used) by Operating Activities:		
Depreciation	29,297	29,297
Changes in Operating Assets and Liabilities:		
Decrease (Increase)		
Accrued Interest Receivable	(5,060)	(534)
Accounts Receivable - NG Marketing	-	(82,650)
Security Deposits	34,024	-
Accounts Payable	(2,377)	2,377
Security Deposits	(34,024)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(650,787)	(837,589)
INVESTING ACTIVITIES		
New Loans & Notes	(113,967)	(465,182)
Construction in Progress - MIB 18 & 19	(145,728)	-
Loan Write Offs	61,869	-
Payments on Mortgages	85,391	80,910
Payments on Loans & Notes	696,437	713,704
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	584,002	329,432
FINANCING ACTIVITIES	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(66,785)	(508,157)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	14,721,732	15,229,889
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 14,654,947	$ 14,721,732

SLCIDA-LDC (CONSOLIDATED)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Program Services	Supporting Services		Program Services	Supporting Services	
	Revolving Loans	Management and General	Totals	Revolving Loans	Management and General	Totals
Accounting	$ -	$ 12,474	$ 12,474	$ -	$ 12,450	$ 12,450
Administraton	7,200	-	7,200	7,200	-	7,200
Advertising	20,265	-	20,265	53,953	-	53,953
Bad Debt Expense	61,869	-	61,869	-	-	-
1st CIB-IDA Capital Expenses	-	131,496	131,496	-	1,794,233	1,794,233
Contractual	351,300	-	351,300	354,000	-	354,000
Community Development	348,672	-	348,672	738,350	-	738,350
Depreciation	14,000	15,297	29,297	14,000	15,297	29,297
Employee Benefits	-	522	522	-	567	567
Filing Fees		-	-	258	-	258
Legal Expense	10,900	12,883	23,783	3,665	13,149	16,814
IDA Administration Fees	-	200,000	200,000	-	200,000	200,000
Insurance	7,623	1,300	8,923	8,852	2,543	11,395
Maintenance	640	-	640	266	-	266
Marketing Expense	27,807	-	27,807	111,977	-	111,977
Memberships & Dues	-	175	175	-	175	175
Meeting Expense	-	56	56	-	536	536
Mileage	60	-	60	1,018	-	1,018
Miscellaneous Expense	19	29	48	808	509	1,317
Office Supplies	-	84	84	-	107	107
Payroll Processing Fees	-	2,010	2,010	-	1,927	1,927
Payroll Taxes	-	6,783	6,783	-	5,505	5,505
Property Taxes	-	-	-	22,416	-	22,416
Salaries	-	85,000	85,000	-	66,850	66,850
Training Projects Expense	73,427	-	73,427	68,291	-	68,291
Underwriting/Credit Reports	-	-	-	880	-	880
Utilities	2,581	-	2,581	131	-	131
Totals (Exhibit II)	$ 926,363	$ 468,109	$ 1,394,472	$ 1,386,065	$ 2,113,848	$ 3,499,913

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

SLCIDA-LDC (CONSOLIDATED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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 SLCIDA-LDC (Consolidated) has 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 preset 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 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 (NYPA) assets for the purposes of economic development in the St. Lawrence Valley and surrounding communities. Under the 2010 agreement, NYPA made available for economic development purposes $16 million and 20 megawatts of electrical power generation from hydro-electric facilities situated on the St. Lawrence River. A parallel agreement, also dated June 2, 2010, between the SLRVRA and the SLCIDA-LDC provided the mechanism for the administration of these assets. The SLRVRA has no employees.

Prior to 2013, and as per the 2010 agreements, NYPA had provided the $16 million to the SLRVRA and SLCIDA-LDC. On October 18, 2013, NYPA executed an agreement with Massena Electric Department (as proposed in the 2010 agreements) that made the 20 megawatts of electricity allocated to the SLRVRA available for economic development projects.

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.

(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, 2013 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, 2013, and 2012 was $29,297 and $29,297, respectively.

(j) Advertising

The SLCIDA-LDC expenses advertising costs as they are incurred. Advertising expenses were $48,072 and $165,930 for the years ended December 31, 2013 and 2012, respectively.

NOTE 2 - RESTRICTED CASH

Restricted cash for the years ended December 31, 2013 and 2012 was $14,342,989, and $14,460,017, 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 SLCIDA-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. This line of credit was paid in full and the funds are no longer restricted.

NOTE 3 – NATIONAL GRID MARKETING AGREEMENT (NG MARKETING)

The SLCIDA-LDC and the SLRVRA have partnered with National Grid, CITEC and others to mount a larger scale effort to market the St. Lawrence Valley to Canadian businesses. During 2013 $107,906 in costs associated with the initiative were incurred. The effort, which began in 2012, was completed in 2013. Partial reimbursement from National Grid of up to $82,650 of the total costs will be split between the SLCIDA-LDC and SLRVRA.

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, 2013 and 2012 will follow.

NOTE 5 – LOANS TO RELATED PARTIES

SLCIDA – 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, 2013 and 2012 was $48,698 and $71,971, respectively.

NOTE 6 – LOANS IN ARREARS

As of December 31, 2013 **Media Accessories.com** was in arrears on its obligation to the GMEDF. In 2013, the company vacated the building that it was occupying through a lease/purchase contract with the SLCIDA. The GMEDF loan that accompanied the lease is still due in full. The SLCIDA-LDC is working with the owner to complete repayment of the debt.

NOTE 7 – LOANS IN DEFAULT

DE Kerr Logging & Construction: The last payment, recorded 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. ("Food Corp.") previously defaulted on its note. This note 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.

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 the GMEDF's lien. SB AHLCSLSS LLC thereafter sold the collateral to Toobro, LLC.

An agreement was reached with Toobro in September of 2013. Toobro was to pay a total of $20,000 for the equipment that had been the GMEDF's collateral. The terms were $5,000 down and $1,250 per month for 12 monthly payments. As of December 31, 2013 Toobro is in default on said agreement. This matter is being handled by legal counsel. No additional payments were received in 2013.

NOTE 8 – LOANS WRITTEN OFF

Youngs Brothers Stick Stringing – On July 7, 2011 Tim Youngs came in to the office to state that he would be filing chapter 7 bankruptcy. On October 31, 2011 we received notice that NBT was foreclosing on property. Mr. Youngs filed for bankruptcy and the property was auctioned off by NBT Bank. We have been advised by legal counsel that this debt is no longer collectible. A resolution was passed on May 9, 2013 to write off the balance of the loan.

NOTE 9 – COMMUNITY DEVELOPMENT ENVIRONMENTAL IMPROVEMENT PROJECTS

The SLRVRA has allocated awards in 2011, 2012, and 2013 as part of its Community Development Environmental Improvement Program as follows:

		Expended		Balance
CDEIP	Available	2011	2012	2013	
2011 Awards	$ 790,000	$ 56,079	$ 254,798	$ 100,000	$ 379,123
2012 Awards	571,052	-	483,552	53,874	33,626
2013 Awards	538,092	-	-	194,798	343,294
Total	$ 1,899,144	$ 56,079	$ 738,350	$ 348,672	$ 756,043

NOTE 10 – FIXED ASSETS

Fixed Assets at December 31, 2013 and 2012 consisted of:

	2013	2012
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
	1,443,523	1,443,523
Less: Accumulated Depreciation	(224,175)	(194,878)
	1,219,348	1,248,645
Construction in Progress - MIB 18 & 19	145,728	-
Land Lot 13 Vacant	30,000	30,000
Total Fixed Assets	$ 1,395,076	$ 1,278,645

NOTE 11 - 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 2013	Balance 2012
Ansen Corporation	07/11/03	08/01/13	3.00%	$ 300,000	$ -	$ 23,177
Ansen Corporation - 2011	06/10/11	07/01/26	2.63%	81,000	-	74,216
Ansen Corporation - GMEDF	06/10/11	07/01/18	5.00%	81,000	-	66,923
Atlantic Testing Laboratories	10/17/07	11/01/17	4.88%	200,000	89,090	110,353
Atlantic Testing Laboratories -GMEDF	10/17/07	12/01/17	4.88%	200,000	89,090	110,369
Atlantic Testing Laboratories-Bldg	03/01/03	12/01/15	5.25%	50,927	11,777	16,503
Clifton Fine Hospital - GMEDF	05/12/11	06/01/26	2.63%	150,000	129,105	137,627
Curran Renewable Energy	12/13/07	12/01/17	4.63%	400,000	260,232	317,762
Curran Renewable Energy-GMEDF (Mortgage)	12/13/07	12/01/17	4.63%	200,000	122,097	149,103
Curran Renewable Energy-Equip	12/31/12	12/31/27	2.65%	100,000	95,355	100,000
D E Kerr Construction & Logging	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	30,165	47,620
Gilbert Holding's, Inc.	04/02/12	04/02/22	2.63%	50,000	41,957	48,148
Glazier Packaging Co	01/05/06	01/01/16	4.63%	133,333	31,909	47,853
GM Vendor -GMEDF (Mortgage)	11/16/04	12/01/19	3.38%	600,000	277,014	317,943
Hackett's - formerly Wisebuys	12/24/03	07/01/11	3.00%	235,000	90,094	93,940
Hoosier Magnetics - GMEDF	01/27/10	01/01/20	2.63%	200,000	130,665	148,602
Media Accessories - Lot #17 - GMEDF	03/31/09	04/01/19	2.63%	168,000	100,016	111,708
Nicholville Telephone Company - SLRVRA	12/09/11	12/01/18	4.00%	-	311,783	366,726
North Country Dairy, LLC	12/02/11	12/02/16	2.63%	400,000	239,697	324,169
North Country Dairy, LLC - SLRVRA	12/02/11	12/01/16	2.63%	400,000	239,697	324,169
North Racquette Greenery - GMEDF	12/22/10	06/01/20	2.63%	50,000	35,041	40,034
Potsdam Mineral & Feed	10/17/07	01/01/13	4.88%	40,000	-	1,499
SLC IDA - Massena Lot #20	12/31/05	12/01/15	3.00%	217,204	48,698	71,971
SLIC Network Solutions	05/11/10	05/01/17	2.63%	120,000	63,465	80,958
SLIC Network Solutions - LOC	08/01/12	08/01/13	5.00%	LOC	299,895	295,182
SLIC Network Solutions - SLRVRA	12/09/11	12/01/18	4.00%	825,000	342,879	403,342
St. Lawrence Brewing	02/08/13	02/01/20	2.63%	75,000	70,663	-
St Lawrence Foods - GMEDF	02/12/04	03/01/11	3.00%	200,000	131,263	131,263
Structural Wood Corp - GMEDF	12/20/11	12/01/21	2.63%	150,000	123,919	137,577
Structural Wood Corp -SLRVRA	12/20/11	12/01/21	2.63%	150,000	123,919	137,577
Toobro NY, LLC - GMEDF	09/01/12	09/01/13	0.00%	20,000	13,871	13,871
Town of Massena - SLRVRA	11/19/13	03/01/16	1.00%	38,967	38,967	-
Youngs Brothers - GMEDF	07/01/08	10/01/20	3.50%	75,000	-	61,869
					$ 3,620,287	$ 4,350,018

NOTE 12 – WORKFORCE INVESTMENT BOARD CONTRACT

On July 7, 2013 the SLCIDA-LDC and the St. Lawrence County Workforce Investment Board (SLC WIB) extended their contract under which an SLCIDA-LDC staff member would continue to serve as the SLC WIB's Executive Director for a predetermined, not-to-exceed fee. The extended agreement runs through June 30, 2015.

NOTE 13 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from December 31, 2012 through March 3, 2014, the date the financial statements were available to be issued, for possible disclosure or recognition in the financial statements. Other than the following, there were no events or transactions that would provide additional pertinent information about conditions of the balance sheet that are required to be recognized or disclosed in the accompanying financial statements.

Payment from CITEC for the National Grid Marketing Initiative was received on January 22, 2014.

The St. Lawrence River Valley Redevelopment Agency has 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, 2013 the loan agreement had not been consummated and it is anticipated to be consummated early in 2014.

NOTE 14 – RECOGNITION OF CERTAIN GRANT REVENUE AND EXPENDITURES

Occasionally the Organization (the "grantee") applies for and receives grants from government agencies and other organizations. These grants are usually "reimbursement grants", i.e., the monies from the grant are only paid to the grantee as reimbursements after the grantee has documented to the grantor that the grantee has achieved defined benchmarks, paid out required funds, and otherwise complied with all other required grant conditions. Projects in which such grants are involved often span several fiscal years and long delays in the reimbursement process are frequent. Consequently, in cases involving reimbursement grants, the SLRVRA does not accrue expected grant revenue or receivables until it has complied with the conditions of the grant agreement(s) and submitted the necessary documentation that will trigger the payment process. Until such documentation has been submitted, and accepted, the grantor still has substantial discretion to deny or reduce payment. Accordingly, at year end the Organization does not accrue any expenses or payables associated with items to be paid out for future grant reimbursement until the SLRVRA is satisfied that it has complied with all grant reimbursement eligibility requirements. These items are usually paid out in the subsequent period and will be recorded as project expenses. Reimbursement grants active as of December 31, 2013 consisted of the following:

Reimbursement Grants with SLRVRA as a "Grantee"	Awarded Revenue	Deferred Expenses
SLRVRA		
NYS - ESD Grant	$ 60,000	$ -
St. Lawrence River Walleye Association	-	12,210
Totals	$ 60,000	$ 12,210

The SLRVRA also funds a grant program of its own – the Community Development Environmental Improvement Program. Since these grants are also reimbursement grants, the SLRVRA adopts the same policy when acting as a grantor that is described above when it is a grantee, i.e., it doesn't accrue the expense until the grantee has documented satisfactorily that it has complied with the grant conditions.

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INDEPENDENT AUDITOR'S 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 (Consolidated)
19 Commerce Lane, Suite 1
Canton, New York 13617

We have audited, 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, 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), (a nonprofit organization), as of December 31, 2013, and the related notes to the financial statements, which collectively comprise the SLCIDA-LDC basic financial statements, and have issued our report thereon dated March 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SLCIDA-LDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the SLCIDA-LDC'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 a combination of 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. A *significant deficiency* is a deficiency or

a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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. We did identify certain deficiencies in internal control that we consider to be control deficiencies as described in the Management Letter on page 18 as number 13-1.

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SLCIDA-LDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SLCIDA-LDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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,

Pinto Mucenski Hooper VanHouse + Co.
Certified Public Accountants, P.C.
Ogdensburg, New York
March 3, 2014

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March 3, 2014

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, 2013 and have issued our report thereon dated March 3, 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 engagement letter to you dated December 12, 2013. 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 12, 2013, 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 SLCIDA-LDC or to acts by management or employees acting on behalf of the SLCIDA-LDC. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner,

particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We began our audit on January 21, 2014 and intend to issue our report on approximately March 3, 2014.

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, 2013. 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. There were no sensitive accounting estimates affecting the SLCIDA-LDC's financial statements.

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

The disclosure of loans in arrears, in default, with negotiated repayment schedules, and written off can be found in Notes 7 and 8 to the financial statements. These notes highlight which loans listed in Note 11 that 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, most of the misstatements detected as a result of audit procedures and corrected by management were immaterial, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole with the exception of

the transactions discussed in our Management letter.

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 please 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 3, 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 the SLCIDA-LDC 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,

Pinto Mucenski Hooper VanHouse + Co.
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Ogdensburg, New York