

ST. LAWRENCE COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY –  
LOCAL DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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

We have audited the accompanying consolidated financial statements of the St. Lawrence County Industrial Development Agency – Local Development Corporation (SLCIDA-LDC) (a nonprofit organization), which includes the Greater Massena Economic Development Fund (GMEDF), and the St. Lawrence River Valley Redevelopment Agency (SLRVRA) which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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 an opinion 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 audit 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.

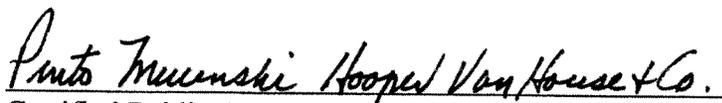
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the SLCIDA-LDC as of December 31, 2014 and 2013, 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.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants, P.C.

Ogdensburg, New York

March 6, 2015

SLCIDA-LDC (CONSOLIDATED)  
STATEMENTS OF FINANCIAL POSITION,  
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 12,851,373	\$ 14,654,947
Accrued Interest Receivable	58,436	44,324
Accounts Receivable	3,395	-
Accounts Receivable - NG Marketing	-	82,650
Mortgages and Notes Receivable - Current	<u>1,325,913</u>	<u>1,122,645</u>
Total Current Assets	<u>14,239,117</u>	<u>15,904,566</u>
<u>Fixed Assets - Net</u>	<u>1,369,766</u>	<u>1,395,076</u>
<u>Long-Term Assets</u>		
Mortgages and Notes Receivable - Net of Current Portion	<u>3,767,584</u>	<u>2,497,642</u>
Total Long-Term Assets	<u>3,767,584</u>	<u>2,497,642</u>
Total Assets	<u><u>19,376,467</u></u>	<u><u>19,797,284</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	1,380	-
Deferred Rental Revenue	<u>2,437</u>	<u>-</u>
Total Current Liabilities	<u>3,817</u>	<u>-</u>
Total Liabilities	<u>3,817</u>	<u>-</u>
<u>Net Assets</u>		
Unrestricted	334,922	311,958
Temporarily Restricted	<u>19,037,728</u>	<u>19,485,326</u>
Total Net Assets	<u>19,372,650</u>	<u>19,797,284</u>
Total Liabilities and Net Assets	<u><u>\$ 19,376,467</u></u>	<u><u>\$ 19,797,284</u></u>

The accompanying notes are an integral part of these financial statements.

SLCIDA-LDC (CONSOLIDATED)  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

EXHIBIT II

	2014			2013		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<u>Support and Revenue</u>						
Interest Income	\$ 216	\$ 154,376	\$ 154,592	\$ 410	166,686	\$ 167,096
WIB Director Revenue	33,039	-	33,039	26,705	-	26,705
1st CIB - IDA Revenue	-	-	-	131,496	-	131,496
Rental Income	-	77,635	77,635	-	92,029	92,029
Administration Fees	300,000	-	300,000	300,000	-	300,000
Miscellaneous Income	2,800	-	2,800	4,500	-	4,500
Net Assets Released from Restrictions	679,609	(679,609)	-	981,605	(981,605)	-
<b>Total Support and Revenue</b>	<b>1,015,664</b>	<b>(447,598)</b>	<b>568,066</b>	<b>1,444,716</b>	<b>(722,890)</b>	<b>721,826</b>
<u>Expenses</u>						
<u>Program Services</u>						
Administration	7,200	-	7,200	7,200	-	7,200
Advertising & Marketing	39,383	-	39,383	48,072	-	48,072
Bad Debt Expense	-	-	-	61,869	-	61,869
Contractual	348,600	-	348,600	351,300	-	351,300
Community Development	218,649	-	218,649	348,672	-	348,672
Depreciation	14,000	-	14,000	14,000	-	14,000
Insurance	2,515	-	2,515	7,624	-	7,624
Legal Expense	9,139	-	9,139	10,900	-	10,900
Maintenance	711	-	711	640	-	640
Mileage	57	-	57	60	-	60
Miscellaneous	-	-	-	19	-	19
Training Projects Expense	10,486	-	10,486	73,426	-	73,426
Underwriting/Credit Reports	24	-	24	-	-	-
Utilities	5,126	-	5,126	2,581	-	2,581
<b>Total Program Services</b>	<b>655,890</b>	<b>-</b>	<b>655,890</b>	<b>926,363</b>	<b>-</b>	<b>926,363</b>
<u>Management and General</u>						
Accounting Expense	12,475	-	12,475	12,474	-	12,474
1st CIB - IDA Capital Expense	-	-	-	131,496	-	131,496
Depreciation Expense	15,297	-	15,297	15,297	-	15,297
Employee Benefits	573	-	573	523	-	523
IDA Admin Fees	200,000	-	200,000	200,000	-	200,000
Insurance	1,508	-	1,508	1,300	-	1,300
Legal Expenses	10,616	-	10,616	12,883	-	12,883
Memberships & Dues	200	-	200	175	-	175
Meeting Expenses	73	-	73	56	-	56
Miscellaneous Expense	448	-	448	29	-	29
Office Expense	-	-	-	84	-	84
Payroll Processing Fees	2,219	-	2,219	2,010	-	2,010
Payroll Taxes	6,953	-	6,953	6,783	-	6,783
Salaries	86,448	-	86,448	85,000	-	85,000
<b>Total Management and General</b>	<b>336,810</b>	<b>-</b>	<b>336,810</b>	<b>468,110</b>	<b>-</b>	<b>468,110</b>
<b>Total Expenses</b>	<b>992,700</b>	<b>-</b>	<b>992,700</b>	<b>1,394,473</b>	<b>-</b>	<b>1,394,473</b>
Change in Net Assets	22,964	(447,598)	(424,634)	50,243	(722,890)	(672,647)
Net Assets - Beginning of Year	311,958	19,485,326	19,797,284	261,715	20,208,216	20,469,931
Net Assets - End of Year	<b>\$ 334,922</b>	<b>\$ 19,037,728</b>	<b>\$ 19,372,650</b>	<b>\$ 311,958</b>	<b>\$ 19,485,326</b>	<b>\$ 19,797,284</b>

The accompanying notes are an integral part of these financial statements.

SLCIDA-LDC (CONSOLIDATED)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (424,634)	\$ (672,647)
<u>Adjustments to Reconcile Change in Net Assets to Cash Flows Provided (Used) by Operating Activities:</u>		
Depreciation	29,297	29,297
Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable	(14,112)	(5,060)
Accounts Receivable - NG Marketing	82,650	-
Accounts Receivable	(3,395)	34,024
Accounts Payable	1,380	(2,377)
Security Deposits	-	(34,024)
Deferred Rental Revenue	2,437	-
	<u>(326,377)</u>	<u>(650,787)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
<u>INVESTING ACTIVITIES</u>		
New Mortgages and Notes	(2,174,080)	(113,967)
Construction in Progress - MIB 18 & 19	(3,987)	(145,728)
Loan Write Offs	-	61,869
Payments on Mortgages and Notes	700,870	781,828
	<u>(1,477,197)</u>	<u>584,002</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,803,574)	(66,785)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>14,654,947</u>	<u>14,721,732</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,851,373</u>	<u>\$ 14,654,947</u>

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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 include 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 has adopted **FASB ASC 958-205**. Under this standard, the SLCIDA-LDC 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 is required to present a statement of cash flows. As provided by this statement, the SLCIDA-LDC 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 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.

The SLCIDA-LDC also administers 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.

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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 2014, 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.

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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.
- Activities related to a \$16,000,000 grant for the SLRVRA from the New York Power Authority.

At December 31, 2014 and 2013, Temporarily Restricted Net Assets consisted of:

	<u>12/31/2014</u>	<u>12/31/2013</u>
Revolving Loan Fund	\$ 3,115,373	\$ 3,034,231
GMEDF	2,802,996	2,777,598
SLRVRA	<u>13,119,359</u>	<u>13,673,497</u>
Total	<u>\$19,037,728</u>	<u>\$19,485,326</u>

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, 2014, the entities do not believe that they have taken any positions that would require the recording of any tax liability, nor do they believe that there are any unrealized tax benefits that should be recorded. Also, the entities do not believe the financial statements include any uncertain tax positions for the open tax years of 2011 through 2014.

It is the entities policy to classify income tax related interest and penalties (if applicable) in interest expense and miscellaneous expense, respectively.

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

J. Advertising

The SLCIDA-LDC expenses advertising costs as they are incurred.

NOTE 2 - RESTRICTED CASH

Restricted cash for the years ended December 31, 2014 and 2013 was \$12,516,451, and \$14,342,989, respectively. Monies are currently invested in accounts at Key Bank, NBT Bank, Community Bank, Upstate National Bank, and First Niagara Bank.

NOTE 3 – MORTGAGES AND NOTES RECEIVABLE

The entities carry their 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 mortgages and notes receivable and will establish write offs as economic conditions warrant. The Boards will determine which notes are written off based on un-collectability. All mortgages and notes receivable are considered collectible until all legal remedies have been exhausted. For details of the mortgages and notes as of December 31, 2014 and 2013, respectively, see Note 10.

NOTE 4 – LOANS TO RELATED PARTIES

**St. Lawrence County Industrial Development Agency – 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, the SLCIDA authorized borrowing from 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 balances due on the note receivable at December 31, 2014 and 2013 were \$24,718 and \$48,698, respectively.

**St. Lawrence County Industrial Development Agency - Canton Industrial Building Loan:** On December 4, 2014 the SLCIDA closed a \$1,400,000 loan from the SLCIDA-LDC consisting of \$700,000 from the SLRVRA loan fund and \$700,000 from the SLCIDA-LDC revolving loan

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

fund to finance some of the construction costs of the Canton Industrial Building. The SLCIDA mortgaged the property to the SLCIDA-LDC as security for the loan. The SLRVRA portion of the loan has a 7 year repayment with a 20 year amortization with an interest rate of 1%. The remaining portion of the loan has a 30 year amortization with an interest rate of ½ of 1%. The balances due on the note receivable at December 31, 2014 and 2013 were \$1,400,000 and \$ 0, respectively.

**St. Lawrence County Industrial Development Agency – Massena Fifth and Sixth Buildings Loan:** In 2002, the GMEDF loaned \$600,000 to the SLCIDA to assist in the financing to expand the 5<sup>th</sup> Massena Industrial Building and also to construct the 6<sup>th</sup> Massena Industrial Building. This is the GM Vendor note and the balances due on the note receivable at December 31, 2014 and 2013 were \$234,681 and \$277,014, respectively.

NOTE 5 – LOANS IN ARREARS

**Wisesbuys/Hacketts:** Though payments were made on the loan in 2014, as of December 31, the borrowers were still in arrears on their obligations to the SLCIDA-LDC. The SLCIDA-LDC is working with the borrowers to complete repayment of the debt.

NOTE 6 – LOANS IN DEFAULT

**DE Kerr Logging & Construction:** The last payment from this borrower, recorded on June 14, 2010, was for a partial February 2009 payment. This matter has been referred to legal counsel for collection action.

**Media Accessories.com** is in default. The loan has been referred to legal counsel for collection action.

**St. Lawrence Food Corp. (“Food Corp.”):** Food Corp previously defaulted on its note. The 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. SLCIDA-LDC 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, 2014 Toobro is in default on said agreement. This matter is being handled by legal counsel. No additional payments were received in 2014.

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7 – LOANS WRITTEN OFF

No loans were written off in 2014.

NOTE 8 – COMMUNITY DEVELOPMENT ENVIRONMENTAL IMPROVEMENT PROJECTS

The SLRVRA made grant awards in 2011, 2012, 2013, and 2014 as part of its Community Development Environmental Improvement Program (CDEIP), as authorized by the June 2, 2010 contracts. Loans that were made through this program are recorded as receivables. The original grant award amounts and expenditures at December 31, 2014 are as follows:

<u>CDEIP</u>	<u>Grants</u>		<u>Expended</u>			<u>Grants</u> <u>Remaining</u>
	<u>Awarded</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
2011 Awards	\$ 540,000	\$ 55,000	\$ 254,798	\$ 100,000	\$ 4,315	\$ 125,887
2012 Awards	571,052	-	483,552	53,874	15,000	18,626
2013 Awards	418,342	-	-	194,798	140,253	83,291
2014 Awards	<u>436,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,081</u>	<u>377,277</u>
	<u>\$1,965,752</u>	<u>\$ 55,000</u>	<u>\$ 348,672</u>	<u>\$ 348,672</u>	<u>\$ 218,649</u>	<u>\$ 605,081</u>

NOTE 9 – FIXED ASSETS

Fixed Assets at December 31, 2014 and 2013 consisted of:

	<u>2014</u>	<u>2013</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	<u>340,200</u>	<u>340,200</u>
	1,443,523	1,443,523
Less: Accumulated Depreciation	<u>(253,472)</u>	<u>(224,175)</u>
	1,190,051	1,219,348
Construction in Progress - MIB 18 & 19	149,715	145,728
Land Lot 13 Vacant	<u>30,000</u>	<u>30,000</u>
Total Fixed Assets	<u>\$ 1,369,766</u>	<u>\$ 1,395,076</u>

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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 2014	Balance 2013
Atlantic Testing Laboratories	10/17/07	11/01/17	4.880%	200,000	67,178	89,090
Atlantic Testing Laboratories - GMEDF	10/17/07	12/01/17	4.875%	200,000	67,178	89,090
Atlantic Testing Laboratories - Bldg	03/01/03	12/01/15	5.250%	50,927	6,778	11,777
BlastBoss Inc. - GMEDF	06/17/14	05/01/19	2.650%	37,788	35,289	0
BlastBoss Inc. - SLRVRA	06/17/14	05/01/19	2.650%	37,788	35,289	0
Clifton Fine Hospital - GMEDF	05/12/11	06/01/26	2.625%	150,000	120,227	129,105
Curran Renewable Energy	12/13/07	12/01/17	4.630%	400,000	194,250	260,232
Curran Renewable Energy-GMEDF (Mortgage)	12/13/07	12/01/17	4.625%	200,000	91,119	122,097
Curran Renewable Energy - Equip	12/31/12	12/31/27	2.650%	100,000	89,079	95,355
D E Kerr Construction & Logging	07/11/07	11/01/14	5.130%	41,905	40,631	37,964
First Class Aire - GMEDF	09/12/14	09/01/29	2.625%	51,500	50,754	0
First Class Aire - SLRVRA	09/12/14	09/01/29	2.625%	51,500	50,754	0
Galilee Farms - GMEDF (Mortgage)	06/24/08	12/01/15	3.500%	116,000	20,859	30,165
Gilbert Holdings, Inc.	04/02/12	04/02/22	2.625%	50,000	37,539	41,957
Glazier Packaging Co	01/05/06	01/01/16	4.625%	133,333	15,536	31,909
GM Vendor (5&6MIB)-GMEDF (Mortgage)	11/16/04	12/01/19	3.375%	600,000	234,681	277,014
Hackett's - formerly Wisebuys	12/24/03	07/01/11	3.000%	235,000	79,624	90,094
High Peaks Winery - GMEDF	04/30/14	05/01/29	2.625%	36,500	35,884	0
High Peaks Winery - SLRVRA	04/30/14	05/01/29	2.625%	36,500	35,884	0
Hoosier Magnetics - GMEDF	01/27/10	01/01/20	2.625%	200,000	108,828	130,665
Massena BDC Rail - SLRVRA	05/05/14	12/30/16	0.000%	197,504	197,504	0
Media Accessories - Lot #17 - GMEDF	03/31/09	04/01/19	2.625%	168,000	99,238	100,016
Nicholville Telephone Company - SLRVRA	12/09/11	12/01/18	4.000%	388,926	254,529	311,783
North Country Dairy, LLC	12/02/11	12/02/16	2.625%	400,000	166,374	239,697
North Country Dairy, LLC - SLRVRA	12/02/11	12/01/16	2.625%	400,000	166,374	239,697
North Racquette Greenery - GMEDF	12/22/10	06/01/20	2.625%	50,000	30,099	35,041
Purinepharma - SLRVRA	07/02/14	06/01/21	5.000%	125,000	118,734	0
Riverside Iron, LLC - GMEDF	06/27/14	07/01/24	2.625%	100,000	95,567	0
Riverside Iron, LLC - SLRVRA	06/27/14	07/01/24	2.625%	100,000	95,567	0
SLC IDA CIB - SLRVRA	12/04/14	11/01/21	1.000%	700,000	700,000	0
SLC IDA CIB - SLCIDA-LDC	12/04/14	11/01/44	0.500%	700,000	700,000	0
SLC IDA - Massena Lot #20	12/31/05	12/01/15	3.000%	217,204	24,718	48,698
SLIC Network Solutions	05/11/10	05/01/17	2.630%	120,000	45,510	63,465
SLIC Network Solutions - Line of Credit	08/01/12	08/01/15	5.000%	LOC	245,888	299,895
SLIC Network Solutions - SLRVRA	12/09/11	12/01/18	4.000%	825,000	280,019	342,879
St. Lawrence Brewing	02/08/13	02/01/20	2.625%	75,000	50,217	70,663
St Lawrence Foods - GMEDF	02/12/04	03/01/11	3.000%	200,000	131,263	131,263
Structural Wood Corp - GMEDF	12/20/11	12/01/21	2.625%	150,000	108,831	123,919
Structural Wood Corp - SLRVRA	12/20/11	12/01/21	2.625%	150,000	108,831	123,919
Toobro NY, LLC - GMEDF	09/01/12	09/01/13	0.000%	20,000	13,871	13,871
Town of Massena - SLRVRA	11/19/13	03/01/16	1.000%	38,967	43,002	38,967
					5,093,497	3,620,287

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Future maturities of the Mortgages and Notes Receivables are as follows:

December 31, 2015	\$1,325,913
2016	686,546
2017	589,859
2018	422,845
2019	278,584
Thereafter	<u>1,789,750</u>
	<u>\$5,093,497</u>

NOTE 11 – 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 12 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from January 1, 2015 through March 6, 2015, the date the financial statements were available to be issued, for possible disclosure or recognition in the financial statements. There were no events or transactions that would provide additional pertinent information about conditions on the balance sheet that are required to be recognized or disclosed in the accompanying financial statements.

NOTE 13 – RECOGNITION OF CERTAIN GRANT REVENUE AND EXPENDITURES

Occasionally the SLCIDA-LDC (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 grantee 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 grantee does not accrue any expenses or payables associated with items to be paid out for future grant reimbursement until the grantee 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, 2014 consisted of the following:

SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Reimbursement Grants with SLRVRA as a “Grantee”	Awarded Revenue
<u>SLRVRA</u>	
NYS – ESD Grants (Massena Lots 18 & 19 Bldgs)	<u>\$ 60,000</u>
Total	<u>\$ 60,000</u>

The SLCIDA-LDC also administers a grant program of its own – the SLRVRA’s Community Development and Environmental Improvement Program. Since these grants are also reimbursement grants, the SLCIDA-LDC 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.

SLCIDA-LDC (CONSOLIDATED)  
SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Program Services	Supporting Services	Totals	Program Services	Supporting Services	Totals
	Revolving Loans	Management and General		Revolving Loans	Management and General	
Accounting	\$ -	\$ 12,475	\$ 12,475	\$ -	\$ 12,475	\$ 12,475
Administration	7,200	-	7,200	7,200	-	7,200
Advertising	39,383	-	39,383	20,265	-	20,265
Bad Debt Expense	-	-	-	61,869	-	61,869
1st CIB-IDA Capital Expenses	-	-	-	-	131,496	131,496
Contractual	348,600	-	348,600	351,300	-	351,300
Community Development	218,649	-	218,649	348,672	-	348,672
Depreciation	14,000	15,297	29,297	14,000	15,297	29,297
Employee Benefits	-	573	573	-	522	522
Legal Expense	9,139	10,616	19,755	10,900	12,883	23,783
IDA Administration Fees	-	200,000	200,000	-	200,000	200,000
Insurance	2,515	1,508	4,023	7,623	1,300	8,923
Maintenance	711	-	711	640	-	640
Marketing Expense	-	-	-	27,807	-	27,807
Memberships & Dues	-	200	200	-	175	175
Meeting Expense	-	73	73	-	56	56
Mileage	57	-	57	60	-	60
Miscellaneous Expense	-	448	448	19	29	48
Office Supplies	-	-	-	-	84	84
Payroll Processing Fees	-	2,219	2,219	-	2,010	2,010
Payroll Taxes	-	6,953	6,953	-	6,783	6,783
Salaries	-	86,448	86,448	-	85,000	85,000
Training Projects Expense	10,486	-	10,486	73,427	-	73,427
Underwriting/Credit Reports	24	-	24	-	-	-
Utilities	5,126	-	5,126	2,581	-	2,581
<b>Totals (Exhibit II)</b>	<b>\$ 655,890</b>	<b>\$ 336,810</b>	<b>\$ 992,700</b>	<b>\$ 926,363</b>	<b>\$ 468,110</b>	<b>\$ 1,394,473</b>



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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

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 consolidated financial statements of the St. Lawrence County Industrial Development Agency – Local Development Corporation (SLCIDA-LDC), (a non-profit organization), which includes the Greater Massena Economic Development Fund (GMEDF), (a non-profit organization), and the St. Lawrence River Valley Redevelopment Agency (SLRVRA), (a nonprofit organization), as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2015.

**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 opinion 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.

### **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 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.

Very truly yours,

 Prato Mucinski Hooper Van House & Co.

Certified Public Accountants, P.C.

Ogdensburg, New York

March 6, 2015



Pinto·Mucenski·Hooper  
Van House & Co.  
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March 6, 2015

To the Board of Directors  
St. Lawrence County Industrial Development Agency –  
Local Development Corporation

We have audited the consolidated 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, 2014, and have issued our report thereon dated March 6, 2015. 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 January 9, 2015. 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 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, 2014. 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.

The disclosure of loans in arrears, in default, with negotiated repayment schedules, and write off is based on historical collection on the loans and an analysis of the collectability. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

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, 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 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 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 March 6, 2015.

#### *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 accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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.

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 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,

 P. M. Muenster Hooper Van House & Co.

Certified Public Accountants, P.C.

Ogdensburg, New York