

**ST. LAWRENCE COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY -  
LOCAL DEVELOPMENT CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the St. Lawrence County Industrial Development Agency – Local Development Corporation (SLCIDA-LDC) (a nonprofit organization) and 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, 2015 and 2014, 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 and affiliates as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses on page 17 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2016, on our consideration of SLCIDA-LDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering SLCIDA-LDC's internal control over financial reporting and compliance.

  
Prato Mucenski Hooper Van House & Co.  
Certified Public Accountants, P.C.

March 3, 2016

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

**STATEMENTS OF FINANCIAL POSITION,  
DECEMBER 31, 2015 AND 2014**

	<u>12/31/2015</u>	(Restated) <u>12/31/2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 13,319,950	\$ 12,851,373
Cash - Security Deposits	531	-
Accrued Interest Receivable	4,751	58,436
Accounts Receivable	5,857	3,395
Mortgages and Notes Receivable (Net of Allowance)	998,419	1,325,913
Capital Lease Receivable	<u>35,869</u>	<u>34,576</u>
 Total Current Assets	 <u>14,365,377</u>	 <u>14,273,693</u>
 Fixed Assets - Net	 <u>783,540</u>	 <u>805,382</u>
<b>LONG-TERM ASSETS:</b>		
Mortgages and Notes Receivable - Net of Current Portion	2,806,446	3,767,584
Capital Lease Receivable - Net of Current Portion	<u>456,338</u>	<u>492,207</u>
 Total Long-Term Assets	 <u>3,262,784</u>	 <u>4,259,791</u>
 <b>TOTAL ASSETS</b>	 <b><u>18,411,701</u></b>	 <b><u>19,338,866</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	36,189	1,380
Security Deposits Payable	531	-
Deferred Rental Revenue	<u>3,089</u>	<u>2,437</u>
 Total Current Liabilities	 <u>39,809</u>	 <u>3,817</u>
<b>NET ASSETS:</b>		
Unrestricted	376,323	334,922
Temporarily Restricted	<u>17,995,569</u>	<u>19,000,127</u>
 Total Net Assets	 <u>18,371,892</u>	 <u>19,335,049</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 18,411,701</u></b>	 <b><u>\$ 19,338,866</u></b>

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

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

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			(Restated) 2014		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
	<b>SUPPORT AND REVENUE:</b>					
Interest Income - Banks	\$ 98	\$ 7,658	\$ 7,756	\$ 216	\$ 9,044	\$ 9,260
Interest Income - Loans	-	122,495	122,495	-	145,332	145,332
Grant Income	-	59,715	59,715	-	-	-
WIB Director Revenue	37,148	-	37,148	33,039	-	33,039
Rental Income	-	49,077	49,077	-	40,522	40,522
Miscellaneous Income	2,325	-	2,325	2,800	-	2,800
Net Assets Released from Restrictions	1,243,503	(1,243,503)	-	664,312	(664,312)	-
<b>Total Support and Revenue</b>	<u>1,283,074</u>	<u>(1,004,558)</u>	<u>278,516</u>	<u>700,367</u>	<u>(469,414)</u>	<u>230,953</u>
<b>EXPENSES:</b>						
Program Services	921,852	-	921,852	355,890	-	355,890
Management and General	319,821	-	319,821	321,513	-	321,513
<b>Total Expenses</b>	<u>1,241,673</u>	<u>-</u>	<u>1,241,673</u>	<u>677,403</u>	<u>-</u>	<u>677,403</u>
<b>CHANGE IN NET ASSETS</b>	41,401	(1,004,558)	(963,157)	22,964	(469,414)	(446,450)
<b>Net Assets - Beginning of Year</b>	<u>334,922</u>	<u>19,000,127</u>	<u>19,335,049</u>	<u>311,958</u>	<u>19,469,541</u>	<u>19,781,499</u>
<b>Net Assets - End of Year</b>	<u>\$ 376,323</u>	<u>\$ 17,995,569</u>	<u>\$ 18,371,892</u>	<u>\$ 334,922</u>	<u>\$ 19,000,127</u>	<u>\$ 19,335,049</u>

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

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>12/31/2015</u>	(Restated) <u>12/31/2014</u>
<b>OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (963,157)	\$ (446,450)
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Depreciation	22,789	14,000
Bad Debts and Bad Debt Reserve	428,570	-
Changes in Operating Assets and Liabilities:		
Cash - Security Deposits	(531)	-
Accrued Interest Receivable	(119)	(14,112)
Accounts Receivable - NG Marketing	-	82,650
Accounts Receivable	(2,462)	(3,395)
Accounts Payable	34,811	1,380
Security Deposits Payable	531	-
Deferred Rental Revenue	<u>652</u>	<u>2,437</u>
Net Cash Provided (Used) By Operating Activities	<u>(478,916)</u>	<u>(363,490)</u>
<b>INVESTING ACTIVITIES:</b>		
New Mortgages and Notes Receivable	(402,134)	(2,174,080)
Payments Received on Mortgages and Notes Receivable	1,316,000	700,870
Payments Received on Capital Lease Receivable	34,576	37,113
Construction in Progress - MIB 18 & 19	-	(3,987)
Fixed Asset Purchases	<u>(949)</u>	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>947,493</u>	<u>(1,440,084)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>468,577</b>	<b>(1,803,574)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>12,851,373</u>	<u>14,654,947</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 13,319,950</u>	<u>\$ 12,851,373</u>

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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. Significant intercompany transactions and balances have been eliminated in the consolidation. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Financial Statement Presentation**

The SLCIDA-LDC has adopted *FASB ASC 958-205*. Under this standard, the SLCIDA-LDC 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 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.

**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.

**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, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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.

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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the SLCIDA-LDC considers 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, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2015 and 2014, temporarily restricted net assets consisted of:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Revolving Loan Fund	\$ 2,987,526	\$ 3,077,772
GMEDF	2,598,978	2,802,996
SLRVRA	<u>12,409,065</u>	<u>13,119,359</u>
Total	<u>\$ 17,995,569</u>	<u>\$ 19,000,127</u>

**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, 2015, the entities do not believe that they have taken any positions that would require the recording of any tax liability or tax benefit.

**Depreciation**

Depreciation is calculated on buildings and improvements on the straight-line method over the assets estimated useful life. Depreciation expense for the years ended December 31, 2015 and 2014 was \$ 22,789 and \$ 14,000, respectively.

**SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising**

The SLCIDA-LDC expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$ 36,946 and \$ 39,383, respectively.

**NOTE 2 - RESTRICTED CASH**

Restricted cash for the years ended December 31, 2015 and 2014 was \$ 12,943,624 and \$ 12,516,451, respectively. Monies are currently invested in accounts at Key Bank, NBT Bank, Community 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. The entities evaluate the collectability of the mortgages and notes receivable and the Boards establish write-offs when considered necessary. The amount written off during December 31, 2015 and 2014 was \$ 239,570 and \$ 0, respectively. The amount added to the loan loss reserve at December 31, 2015 and 2014 was \$ 189,000 and \$ 0, respectively. The loan loss reserve at December 31, 2015 and 2014 was \$ 189,000 and \$ 0, respectively. For details of the mortgages and notes as of December 31, 2015 and 2014, 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, 2015 and 2014 were \$ 0 and \$ 24,718, 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 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, 2015 and 2014 were \$ 1,346,478 and \$ 1,400,000, 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, 2015 and 2014 were \$ 190,898 and \$ 234,681, respectively.

**SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 5 - LOANS IN ARREARS**

**Wisesbuys/Hacketts:** Though payments were made on the loan in 2015, as of December 31, 2015, 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**

There are no loans in default at this time.

**NOTE 7 - LOANS WRITTEN OFF**

The following loans, including interest charges, were written off during 2015:

	<u>12/31/2015</u>
DE Kerr Logging & Construction	\$ 60,228
Media Accessories.com	2,052
St. Lawrence Food Corp.	162,445
Toobro, LLC	<u>14,845</u>
Total	<u>\$ 239,570</u>

**NOTE 8 - COMMUNITY DEVELOPMENT ENVIRONMENTAL IMPROVEMENT PROJECTS**

The SLRVRA made grant awards during the years 2011 through 2015 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, 2015 are as follows:

Date of Award	Grant Award	Expended					Balance of Grant Remaining
		2011	2012	2013	2014	2015	
2011	\$ 540,000	\$ 55,000	\$ 255,878	\$ 100,000	\$ 4,315	\$ 72,280	\$ 52,527
2012	571,052	-	483,552	53,874	15,000	-	18,626
2013	403,899	-	-	194,798	140,253	40,000	28,848
2014	436,358	-	-	-	59,081	208,271	169,006
2015	344,002	-	-	-	-	40,937	303,065
Total	<u>\$ 2,295,311</u>	<u>\$ 55,000</u>	<u>\$ 739,430</u>	<u>\$ 348,672</u>	<u>\$ 218,649</u>	<u>\$ 361,488</u>	<u>\$ 572,072</u>

**SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 9 - FIXED ASSETS**

Fixed Assets at December 31, 2015 and 2014 consisted of:

	<u>2015</u>	<u>2014</u>
Massena Lot 18 Building and Improvements - SLRVRA	\$ 417,922	\$ 359,800
Massena Lot 19 Building and Improvements - SLRVRA	<u>432,740</u>	<u>340,200</u>
	850,662	700,000
Less: Accumulated Depreciation	<u>(67,122)</u>	<u>(44,333)</u>
	783,540	655,667
Construction in Progress - MIB 18 -19	<u>-</u>	<u>149,715</u>
Total Fixed Assets	<u>\$ 783,540</u>	<u>\$ 805,382</u>

**SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 10 - DETAILS OF MORTGAGES AND NOTES RECEIVABLE:**

Details of mortgages and notes receivable at December 31 2015 and 2014 are as follows:

	<u>Origin</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 2015</u>	<u>Balance 2014</u>
Atlantic Testing Laboratories	10/17/07	11/01/17	2.625%	200,000	\$ 44,739	\$ 67,178
Atlantic Testing Laboratories - GMEDF	10/17/07	12/01/17	2.625%	200,000	44,739	67,178
Atlantic Testing Laboratories - Bldg	03/01/03	12/01/15	5.250%	50,927	1,524	6,778
BlastBoss Inc. - GMEDF	06/17/14	05/01/19	2.650%	37,788	27,667	35,289
BlastBoss Inc. - SLRVRA	06/17/14	05/01/19	2.650%	37,788	27,667	35,289
Clifton Fine Hospital - GMEDF	05/12/11	06/01/26	2.625%	150,000	111,157	120,227
City of Ogdensburg - SLRVRA	01/26/15	01/26/20	1.000%	23,532	19,302	-
Curran Renewable Energy	12/13/07	12/01/17	4.625%	400,000	130,750	194,250
Curran Renewable Energy-GMEDF	12/13/07	12/01/17	4.625%	200,000	61,309	91,119
Curran Renewable Energy - Equip	12/31/12	12/31/27	2.650%	100,000	83,232	89,079
D E Kerr Construction & Logging	07/11/07	11/01/14	5.130%	41,905	-	40,631
First Class Aire - GMEDF	09/12/14	09/01/29	2.625%	51,500	47,652	50,754
First Class Aire - SLRVRA	09/12/14	09/01/29	2.625%	51,500	47,652	50,754
Galilee Farms - GMEDF	06/24/08	12/01/15	3.500%	116,000	-	20,859
Gilbert Holding's, Inc.	04/02/12	04/02/22	2.625%	50,000	32,586	37,539
Glazier Packaging Co	01/05/06	01/01/16	4.625%	133,333	-	15,536
GM Vendor (5&6MIB)-GMEDF	11/16/04	12/01/19	3.375%	600,000	190,898	234,681
Hackett's - formerly Wisebuys	12/24/03	07/01/11	3.000%	235,000	76,065	79,624
High Peaks Winery - GMEDF	04/30/14	05/01/29	2.625%	36,500	34,010	35,884
High Peaks Winery - SLRVRA	04/30/14	05/01/29	2.625%	36,500	34,020	35,884
Hoosier Magnetics - GMEDF	01/27/10	01/01/20	2.625%	200,000	88,243	108,828
Hoosier Magnetics - SLRVRA	09/18/15	09/01/20	2.625%	100,000	98,330	-
Hozmerica, LLC - SLRVRA	07/21/15	07/01/20	2.625%	17,500	15,823	-
Massena BDC Rail - SLRVRA	05/05/14	12/30/16	0.000%	197,504	197,504	197,504
Media Accessories - Lot #17 - GMEDF	03/31/09	04/01/19	2.625%	168,000	-	99,238
Nicholville Telephone Company - SLRVRA	12/09/11	12/01/18	4.000%	388,926	194,679	254,529
North Country Dairy, LLC	12/02/11	12/02/16	2.625%	400,000	77,386	166,374
North Country Dairy, LLC - SLRVRA	12/02/11	12/01/16	2.625%	400,000	77,386	166,374
North Racquette Greenery - GMEDF	12/22/10	06/01/20	2.625%	50,000	25,257	30,099
Purinepharma - SLRVRA	07/02/14	06/01/21	5.000%	125,000	-	118,734
Riverside Iron, LLC - GMEDF	06/27/14	07/01/24	2.625%	100,000	86,564	95,567
Riverside Iron, LLC - SLRVRA	06/27/14	07/01/24	2.625%	100,000	86,564	95,567
SLC IDA CIB - SLRVRA	12/04/14	11/01/21	1.000%	700,000	668,177	700,000
SLC IDA CIB - SLCIDA-LDC	12/04/14	11/01/44	0.500%	700,000	678,301	700,000
SLC IDA - Massena Lot #20	12/31/05	12/01/15	3.000%	217,204	-	24,718
SLIC Network Solutions	05/11/10	05/01/17	2.630%	120,000	27,047	45,510
SLIC Network Solutions - Line of Credit	08/01/12	08/01/15	5.000%	LOC	183,484	245,888
SLIC Network Solutions - SLRVRA	12/09/11	12/01/18	4.000%	825,000	214,283	280,019
St. Lawrence Brewing	02/08/13	02/01/20	2.625%	75,000	48,754	50,217
St Lawrence Foods - GMEDF	02/12/04	03/01/11	3.000%	200,000	-	131,263
Structural Wood Corp - GMEDF	12/20/11	12/01/21	2.625%	150,000	94,516	108,831
Structural Wood Corp - SLRVRA	12/20/11	12/01/21	2.625%	150,000	94,516	108,831
Toobro NY, LLC - GMEDF	09/01/12	09/01/13	0.000%	20,000	-	13,871
Town of Louisville - SLRVRA	03/23/15	03/01/17	1.000%	16,000	9,385	-
Town of Massena - SLRVRA	11/19/13	03/01/16	1.000%	38,967	12,697	43,002
					<u>3,993,865</u>	<u>5,093,497</u>
					Less Allowance for Bad Debts (189,000)	-
					<u>3,804,865</u>	<u>5,093,497</u>

**SLCIDA-LDC (CONSOLIDATED)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 10 - DETAILS OF MORTGAGES AND NOTES RECEIVABLE (Continued)**

Future maturities of the mortgages and notes receivable are as follows:

December 31, 2016	\$ 1,187,419
2017	548,554
2018	416,218
2019	271,059
2020	160,468
Thereafter	<u>1,410,147</u>
	<u>\$ 3,993,865</u>

**NOTE 11 - WORKFORCE INVESTMENT BOARD CONTRACT**

On July 30, 2015 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, 2019.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions from January 1, 2016 through March 3, 2016, the date the financial statements were available to be issued, for possible disclosure and, or, recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet which 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. As of December 31, 2015, there were no active grants of this nature.

**SLCIDA-LDC (CONSOLIDATED)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 13 - RECOGNITION OF CERTAIN GRANT REVENUE AND EXPENDITURES (Continued)**

The SLCIDA-LDC also administers a grant program of its own – the SLRVRA’s Community Development 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. As of December 31, 2015, there were no active grants of this nature.

**NOTE 14 - LONG-TERM LEASES**

The SLCIDA-LDC entered into a long-term lease with Fockler Industries, LLC which commenced on November 1, 2015. Under the terms of the lease, Fockler Industries will lease commercial space for a thirty-six (36) month period ending on October 31, 2018 at a monthly lease rate of \$ 2,557.50. Total future rents to be received are as follows:

December 31, 2016	\$	30,690
2017		30,690
2018		<u>25,575</u>
	\$	<u>86,955</u>

**NOTE 15 - CAPITAL LEASE (LEASE-PURCHASE AGREEMENT)**

The SLCIDA-LDC leases land and a building to Curran Renewable Energy, LLC under a lease-purchase agreement. The lease period is from December 1, 2012 to November 30, 2027 with current monthly lease payments including interest of \$ 4,039.90 and a current interest rate of 2.65%. The interest rate adjusts to market every five years. Future minimum lease payments under the capital lease are as follows:

Year Ending December 31,		
2016	\$	48,479
2017		48,479
2018		48,479
2019		48,479
2020		48,479
Thereafter		<u>331,600</u>
Total minimum lease payments		573,995
Less: Amount representing interest		<u>81,788</u>
Present value of future minimum lease payments	\$	<u>492,207</u>

**NOTE 16 - CONCENTRATION OF CREDIT RISK**

At December 31, 2015, the consolidated entities had bank balances totaling \$ 13,329,199. A combination of federal depository insurance and securities pledged and held by the bank fully covered these bank balances.

**SLCIDA-LDC (CONSOLIDATED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 17 - RESTATEMENT OF LEASES**

The 2014 financial statements have been restated relating to certain lease transactions. In previously issued financial statements, the capital lease described in Note 15 was treated and reported as an operating lease. Beginning with the 2014 restatement and going forward, all such transactions will be treated as capital leases.

The above restatement resulted in the following change to net assets at December 31, 2014.

	Temporarily Restricted Net Assets
Balance at December 31, 2013 as previously reported	\$ 19,485,326
Net effect of lease restatement for prior years	<u>(15,785)</u>
Balance at December 31, 2013 as restated	<u>19,469,541</u>
Balance at December 31, 2014 as previously reported	19,037,728
Net effect of lease restatement for prior years	(15,785)
To reverse recording of rental income	(37,113)
To reverse recording of depreciation expense	<u>15,297</u>
Balance at December 31, 2014 as restated	<u>\$ 19,000,127</u>

**NOTE 18 - RECLASSIFICATIONS**

Certain amounts in the 2014 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			(Restated) 2014		
	Program	Management and General	Totals	Program	Management and General	Totals
	<b>EXPENSES:</b>					
Accounting	\$ -	\$ 13,075	\$ 13,075	\$ -	\$ 12,475	\$ 12,475
Administraton	7,200	-	7,200	7,200	-	7,200
Advertising & Marketing	36,946	-	36,946	39,383	-	39,383
Bad Debts	239,570	-	239,570	-	-	-
Bad Debt Reserve	189,000	-	189,000	-	-	-
Contractual	48,600	-	48,600	48,600	-	48,600
Community Development	361,488	-	361,488	218,649	-	218,649
Depreciation	22,789	-	22,789	14,000	-	14,000
Employee Benefits	-	538	538	-	573	573
IDA Administration Fees	-	200,000	200,000	-	200,000	200,000
Insurance	11,092	1,363	12,455	2,515	1,508	4,023
Legal Expense	758	8,920	9,678	9,139	10,616	19,755
Maintenance	169	-	169	711	-	711
Memberships & Dues	-	175	175	-	200	200
Meeting Expense	-	10	10	-	73	73
Mileage	48	-	48	57	-	57
Miscellaneous Expense	-	30	30	-	448	448
Office Supplies	-	191	191	-	-	-
Payroll Processing Fees	-	2,173	2,173	-	2,219	2,219
Payroll Taxes	-	6,858	6,858	-	6,953	6,953
Salaries	-	86,488	86,488	-	86,448	86,448
Training Projects Expense	-	-	-	10,486	-	10,486
Underwriting/Credit Reports	570	-	570	24	-	24
Utilities	3,622	-	3,622	5,126	-	5,126
<b>Total Expenses</b>	<b>\$ 921,852</b>	<b>\$ 319,821</b>	<b>\$ 1,241,673</b>	<b>\$ 355,890</b>	<b>\$ 321,513</b>	<b>\$ 677,403</b>

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

**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***



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
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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, 2015, 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 3, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 entity'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 from 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Prato Mucenski Hooper Van House & Co.  
Certified Public Accountants, P.C.

March 3, 2016