

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION
 Resolution No. MIC-13-03-04
 March 19, 2013

ACCEPTING FY2012 AUDIT

WHEREAS, on September 27, 2012 the St. Lawrence County Local Development Corporation (the “SLCLDC”) appointed Pinto, Mucenski, Hooper, VanHouse & Co. as its independent audit firm for the fiscal years 2012 through 2014, and

WHEREAS, the firm has prepared and provided the following report (attached):

St. Lawrence County Local Development Corporation
 Financial Statements
 For the Years Ended December 31, 2012 and 2011
 , and

WHEREAS, the Audit & Finance Committee, having reviewed said report, recommends its acceptance by the SLCLDC,

NOW, THEREFORE, BE IT RESOLVED that the St. Lawrence County Local Development Corporation accepts said report and authorizes that payment be made to Pinto, Mucenski, Hooper, VanHouse & Co. in accordance with the terms set forth in St. Lawrence County Local Development Corporation Resolution No. 12-18, and

BE IT FURTHER RESOLVED that the SLCLDC shall cause this report to be forwarded to:

- St. Lawrence County Treasurer
- St. Lawrence County Legislative Chairman
- New York State Department of Economic Development
- New York State Office of the Comptroller, Bureau of Municipal Research and Statistics
- New York State Authorities Budget Office

| | | | | |
|-------------|------------|------------|----------------|---------------|
| Move: | Peck | | | |
| Second: | LaBaff | | | |
| VOTE | AYE | NAY | ABSTAIN | ABSENT |
| Blevins | X | | | |
| Hall | X | | | |
| LaBaff | X | | | |
| McMahon | X | | | |
| Peck | X | | | |
| Staples | X | | | |
| Weekes | X | | | |

I HEREBY CERTIFY that I have compared this copy of this Resolution with the original record in this office, and that the same is a correct transcript thereof and of the whole of said original record.

/s/ _____
 Natalie A. Sweatland
 March 19, 2013

ST. LAWRENCE COUNTY
LOCAL DEVELOPMENT CORPORATION
CANTON, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION
DECEMBER 31, 2012 AND 2011
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the St. Lawrence County Local Development Corporation (LDC), (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LDC as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Ogdensburg, New York
February 2, 2013

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION **EXHIBIT I**
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|
| <u>ASSETS</u> | | |
| <u>Current Assets</u> | | |
| Cash and Cash Equivalents | \$ 50,240 | \$ 81,374 |
| Loans Receivable - Current | 64,104 | 60,600 |
| Accrued Interest Receivable | 1,287 | 1,445 |
| Grants Receivable | - | 5,727 |
| Prepaid Expenses | - | 7,500 |
| | <u>115,631</u> | <u>156,646</u> |
| <u>Total Current Assets</u> | | |
| <u>Other Assets</u> | | |
| Loans Receivable | 272,747 | 252,523 |
| Less: Current Portion Above | <u>64,104</u> | <u>60,600</u> |
| | <u>208,643</u> | <u>191,923</u> |
| <u>Total Other Assets</u> | | |
| | <u>324,274</u> | <u>348,569</u> |
| TOTAL ASSETS | | |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>Current Liabilities</u> | | |
| | <u>-</u> | <u>-</u> |
| Total Current Liabilities | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>-</u> | <u>-</u> |
| <u>Net Assets</u> | | |
| Unrestricted | 110 | 110 |
| Unrestricted - Board Designated | 324,164 | 343,252 |
| Temporarily Restricted | - | 5,207 |
| | <u>324,274</u> | <u>348,569</u> |
| Total Net Assets | | |
| | <u>\$ 324,274</u> | <u>\$ 348,569</u> |
| TOTAL LIABILITIES AND NET ASSETS | | |

See accompanying notes to financial statements and independent auditors' report.

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION EXHIBIT II
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| <u>UNRESTRICTED-BOARD DESIGNATED - NET ASSETS</u> | | |
| Support | | |
| Interest Income | \$ 8,238 | \$ 9,808 |
| Other Income | <u>630</u> | <u>420</u> |
| TOTAL BOARD DESIGNATED SUPPORT | <u>8,868</u> | <u>10,228</u> |
| Expenses | | |
| Program Services | <u>12,808</u> | <u>15,734</u> |
| Supporting Services | | |
| Management and General | <u>15,148</u> | <u>13,760</u> |
| TOTAL EXPENSES | <u>27,956</u> | <u>29,494</u> |
| INCREASE (DECREASE) IN UNRESTRICTED-BOARD DESIGNATED NET ASSETS | <u>(19,088)</u> | <u>(19,266)</u> |
| INCREASE (DECREASE) IN NET ASSETS | (19,088) | (19,266) |
| NET ASSETS - BEGINNING OF YEAR | <u>343,252</u> | <u>362,518</u> |
| NET ASSETS - END OF YEAR | <u>\$ 324,164</u> | <u>\$ 343,252</u> |
| <u>TEMPORARILY RESTRICTED - NET ASSETS</u> | | |
| Support | | |
| Grant Income | <u>\$ -</u> | <u>\$ 200,000</u> |
| TOTAL TEMPORARILY RESTRICTED SUPPORT | <u>-</u> | <u>200,000</u> |
| Expenses | | |
| Program Services | <u>5,207</u> | <u>194,793</u> |
| TOTAL EXPENSES | <u>5,207</u> | <u>194,793</u> |
| INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS | <u>(5,207)</u> | <u>5,207</u> |
| INCREASE (DECREASE) IN NET ASSETS | (5,207) | 5,207 |
| NET ASSETS - BEGINNING OF YEAR | <u>5,207</u> | <u>-</u> |
| NET ASSETS - END OF YEAR | <u>\$ -</u> | <u>\$ 5,207</u> |

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION **EXHIBIT III**
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------------|-------------------------|
| <u>OPERATING ACTIVITIES</u> | | |
| Increase (Decrease) in Net Assets | \$ (24,295) | \$ (14,059) |
| Change in Operating Assets and Liabilities: | | |
| Certificates of Deposit | - | 75,000 |
| Accrued Interest Receivable | 158 | (1,445) |
| Grants Receivable | 5,727 | (5,727) |
| Prepaid Expenses | 7,500 | (7,500) |
| Accounts Payable | - | (21) |
| | <u>(10,910)</u> | <u>46,248</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| <u>INVESTING ACTIVITIES</u> | | |
| Small Business Loans - New | (101,121) | (115,900) |
| Small Business Loans - Payments | 68,089 | 63,840 |
| Small Business Loans - Write Offs | 12,808 | 15,734 |
| Changes in Deferred Revenue | - | - |
| | <u>(20,224)</u> | <u>(36,326)</u> |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | | |
| <u>FINANCING ACTIVITIES</u> | <u>-</u> | <u>-</u> |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (31,134) | 9,922 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>81,374</u> | <u>71,452</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 50,240</u></u> | <u><u>\$ 81,374</u></u> |

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

EXHIBIT IV

| | <u>2012</u> | | <u>2011</u> | |
|----------------------------------|--|---|--|---|
| | <u>Program Services Loans & Grants</u> | <u>Supporting Services Management and General</u> | <u>Program Services Loans & Grants</u> | <u>Supporting Services Management and General</u> |
| | <u>Total</u> | <u>Expenses</u> | <u>Total</u> | <u>Expenses</u> |
| Professional Fees and Contracts | \$ - | \$ 7,648 | \$ - | \$ 6,260 |
| Administrative Fees | - | 7,500 | - | 7,500 |
| Community Development Grants | 5,207 | - | 194,793 | - |
| Bad Debts - Small Business Loans | 12,808 | - | 15,734 | - |
| | <u>\$ 18,015</u> | <u>\$ 15,148</u> | <u>\$ 210,527</u> | <u>\$ 13,760</u> |
| Total Expenses | <u>\$ 33,163</u> | <u>\$ 33,163</u> | <u>\$ 224,287</u> | <u>\$ 224,287</u> |

See accompanying notes to financial statements and independent auditors' report.

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Lawrence County Local Development Corporation 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 Organization has adopted *Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations."* Under *SFAS No. 117*, the Organization is required to report information regarding its 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 Organization is required to present a statement of cash flows. As provided by this statement, the Organization has discontinued its use of fund accounting and has, accordingly, arranged its financial statements to present the three classes of net assets required.

B. Contributions

The Organization has also adopted *SFAS No. 116, "Accounting for Contributions Received and Contributions Made"*. In accordance with *SFAS No. 116*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature or any donor restrictions.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

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

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

E. Income Taxes

The Corporation was determined to be exempt from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code shortly after formation.

Accounting principles generally accepted in the United States of America require the Organization to evaluate all significant tax positions. As of 12/31/12 the Organization does not believe that it has taken any positions that would require the recording of any tax liability, nor does it believe that there any unrealized tax benefits that should be recorded or that would increase or decrease within the next year.

NOTE 2 – HISTORY AND BASIS OF STATEMENT PRESENTATION

The St. Lawrence County Local Development Corporation (The Corporation) 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. The Corporation was formed on January 27, 1977 for the purpose of relieving and reducing unemployment and to promote and provide for additional and maximum employment in the County.

The Corporation performs several functions in promoting the furtherance of business in the County including the administration of Federal and State grants for the purpose of providing maximum employment for its citizens.

On July 18, 2012, the Corporation authorized amendments to its Bylaws and Certificate of Incorporation to amend and modify the Corporation's membership requirements. The amendments automatically extended membership on the Corporation's board to all members of the Board of Directors of the St. Lawrence County Industrial Agency.

NOTE 3 - LOANS RECEIVABLE

The Organization carries its loans receivable at cost recognizing interest income on the accrual basis as specified in the various loan agreements. On a periodic basis, the Organization evaluates its loans receivable and will establish write offs as economic conditions warrant. The Board will determine which loans are written off based on un-collectability. All loans are considered collectible until all legal remedies have been exhausted.

On 01/24/12 the loan to Hallelujah House was paid in full.

On 04/10/12 the loan to Custom Rustix was paid in full.

On 11/07/12 the loan to Potsdam Taxi was paid in full.

On 12/04/12 the loan to Lucas Motorsports #3 was paid in full.

On 12/12/12 the loan to The Hair Studio was paid in full.

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Loans Receivable balances at December 31, 2012 and 2011 consisted of the following:

| Loans | Origin | Maturity | Rate | Amount | 2012 | 2011 |
|-----------------------------|----------|----------|------|--------|-------------------|-------------------|
| Adirondack Battery | 12/07/11 | 12/01/16 | 4.0% | 20,000 | 17,422 | 20,000 |
| AKJ Marine | 08/22/07 | 08/22/12 | 4.0% | 20,000 | 12,036 | 12,055 |
| Chip's Place | 03/29/07 | 03/29/14 | 4.0% | 20,000 | 4,264 | 7,304 |
| Chuck's Pet Center | 02/01/08 | 05/01/13 | 4.0% | 20,000 | - | 12,808 |
| Custom Rustix | 11/09/06 | 11/09/11 | 4.0% | 13,425 | - | 1,651 |
| Felician B & B | 02/01/08 | 07/01/18 | 4.0% | 11,200 | 6,982 | 7,988 |
| Gordon's Frame to Finish | 05/31/12 | 05/31/17 | 4.0% | 20,000 | 19,419 | - |
| Hallelujah House | 11/30/09 | 12/01/14 | 4.0% | 10,000 | - | 4,624 |
| Hebel Welding | 10/28/05 | 10/28/15 | 4.0% | 20,425 | 7,174 | 9,324 |
| Honey Dew Acres | 11/17/10 | 12/01/15 | 4.0% | 20,000 | 16,891 | 18,709 |
| Lucas Motorsports - Loan #3 | 02/01/08 | 05/01/13 | 4.0% | 8,000 | - | 1,581 |
| Lucas Motorsports - Loan #4 | 08/25/09 | 05/01/14 | 4.0% | 5,000 | 1,612 | 2,628 |
| Main Grind CoffeeHouse | 04/08/11 | 04/01/16 | 4.0% | 9,900 | 6,709 | 9,252 |
| Maple Run Emporiums | 04/08/11 | 04/01/16 | 4.0% | 20,000 | 14,313 | 18,354 |
| New Horizons Wireless | 03/30/11 | 04/01/16 | 4.0% | 20,000 | 14,356 | 19,032 |
| Potsdam Taxi | 06/03/09 | 06/01/14 | 4.0% | 15,000 | - | 7,453 |
| River Lane Campground | 06/08/10 | 07/01/15 | 4.0% | 19,750 | 13,299 | 16,164 |
| River Run Fitness | 03/30/11 | 04/01/14 | 4.0% | 8,000 | 4,106 | 6,801 |
| Shades Tanning | 10/17/12 | 10/17/22 | 4.0% | 20,000 | 20,000 | - |
| Sharrow's Home Repair | 10/22/10 | 11/01/15 | 4.0% | 8,000 | 2,554 | 5,221 |
| Splendid Spaces | 11/02/05 | 11/02/15 | 4.0% | 14,900 | 14,087 | 6,946 |
| St. Lawrence Optical | 09/21/12 | 09/21/15 | 4.0% | 6,500 | 6,500 | - |
| St Lawrence Valley Roasters | 12/07/11 | 12/01/16 | 4.0% | 18,307 | 14,929 | 17,998 |
| Sugar Shack Café & Bakery | 07/26/11 | 08/01/16 | 4.0% | 15,000 | 14,569 | 15,000 |
| Susan's Stitches | 12/07/12 | 12/07/17 | 4.0% | 20,000 | 20,000 | - |
| Tony's Canvas | 07/06/11 | 07/01/16 | 4.0% | 5,000 | 3,616 | 4,541 |
| The Hair Studio | 02/01/08 | 01/01/13 | 4.0% | 20,000 | - | 5,032 |
| Unique Boutique Creatures | 07/28/11 | 08/01/16 | 4.0% | 8,000 | 6,774 | 8,000 |
| Valley Greenery | 06/30/09 | 04/01/17 | 4.0% | 20,000 | 11,133 | 14,057 |
| Waddington Auto Parts | 10/17/12 | 10/17/19 | 4.0% | 20,000 | 20,000 | - |
| | | | | | \$ 272,747 | \$ 252,523 |

NOTE 4 - LOANS IN ARREARS

As of December 31, 2012 the following loans were in arrears:

River Lane Campground – paid September’s payment – legal notice sent, payment resuming.

ST. LAWRENCE COUNTY LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 5 – LOANS IN DEFAULT

AKJ Marine – paid partial payment for July 2010 – referred to legal counsel.

Sugar Shack Bakery & Café – last payment received on 4/2/2012 – referred to legal counsel.

NOTE 6 – LOANS WRITTEN OFF

On May 9, 2012 Board Resolution #12-10 authorized the write off of the Chuck's Pet Center loan balance of \$12,808.35 as uncollectible.

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions from 12/31/12 through 2/02/13, the date the financial statements were available to be issued for possible disclosure and recognition in the financial statements. The following items either occurred or will be resolved during the 2013 operating year.

Karen Rayburn, from the Sugar Shack Bakery and Café has signed a confession of judgment and agreed to a new repayment schedule.

Fred Cliff, from St. Lawrence Optical has been unavailable to discuss his delinquent loan payments and also, it appears that his establishment is closed and vacant. This matter has been referred to legal counsel.

NOTE 8 – COMMUNITY DEVELOPMENT BLOCK GRANT

In 2011 the St. Lawrence County Local Development Corporation committed to make 10 grants through the Community Development Block Grant program. In 2011 grant expenditures totaled \$194,273. In 2012 the remainder of the committed grants, amounting to \$5,727 was expended. The total of the completed grant expenditures was \$200,000.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities of the St. Lawrence County Local Development Corporation (SLC LDC) as of and for the year ended December 31, 2012, and have issued our report thereon dated February 2, 2013. We conducted our audit in accordance with auditing standards generally accepted in the **United States of America** and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the **Comptroller General of the United States**.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness in internal control* is a deficiency or a combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the SLC LDC's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

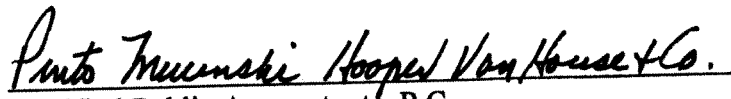
internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SLC LDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Very truly yours,


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

Ogdensburg, New York
February 2, 2013



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

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February 2, 2013

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

We have audited the financial statements of the St. Lawrence County Local Development Corporation (SLC LDC) for the year ended December 31, 2012 and have issued our report thereon dated February 2, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 13, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

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

Planned Scope and Timing of the Audit

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

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

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the SLC LDC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2012. We noted no transactions entered into by the SLC 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.

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

The disclosure of loans in arrears, in default, and written off can be found in Notes 4 – 6 to the financial statements. These notes highlight which loans listed in Note 3 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are 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 February 2, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the SLC LDC’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accounting to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the applications of accounting principles and auditing standards, with management each year prior to retention as the SLC 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 Local Development Corporation, New York and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Prato Mucenski Hooper Van House & Co.

Certified Public Accountants, P.C.

Ogdensburg, New York