

ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY  
 Resolution No. RVR-18-03-04  
 March 20, 2018

**ACCEPTING 2017 AUDIT**

**WHEREAS**, the St. Lawrence River Valley Redevelopment Agency has appointed the firm of Pinto, Mucenski, Hooper, VanHouse and Company PC as its auditor for the years 2015 through 2017, and

**WHEREAS**, Pinto, Mucenski, Hooper, VanHouse and Company PC has submitted the attached document entitled “St. Lawrence River Valley Redevelopment Agency Financial Statements, December 31, 2017 and 2016;”

**NOW, THEREFORE, BE IT RESOLVED** that the St. Lawrence River Valley Redevelopment Agency accepts and approves said report.

Move:	Strait			
Second:	Clark			
<b>VOTE</b>	<b>AYE</b>	<b>NAY</b>	<b>ABSTAIN</b>	<b>ABSENT</b>
McNeil	X			
Strait	X			
Murphy				X
Clark	X			
Forsythe	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/ \_\_\_\_\_  
 Lori Sibley 03/20/18

**ST. LAWRENCE RIVER VALLEY  
REDEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
St. Lawrence River Valley Redevelopment Agency  
Canton, New York

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

We have audited the accompanying financial statements of the St. Lawrence River Valley Redevelopment Agency (SLRVRA) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows 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 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 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 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 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.

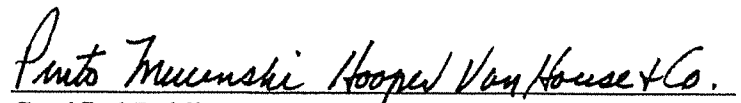
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SLRVRA as of December 31, 2017 and 2016, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2018, on our consideration of the SLRVRA'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 *Government Auditing Standards* in considering the SLRVRA's internal control over financial reporting and compliance.

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

March 7, 2018

**ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

	<u>12/31/2017</u>	<u>12/31/2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,952,303	\$ 7,997,203
Cash - Security Deposits	532	532
Accounts Receivable	2,702	4,022
Accrued Interest Receivable	3,356	6,047
Due from Affiliate	-	2,842
Mortgages and Notes Receivable (Net of Allowance)	<u>2,148,894</u>	<u>2,065,857</u>
Total Current Assets	9,107,787	10,076,503
Fixed Assets - Net	725,408	754,474
<b>LONG-TERM ASSETS</b>		
Mortgages and Notes Receivable - Net of Current Portion	<u>1,460,843</u>	<u>1,120,187</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,294,038</u>	<u>\$ 11,951,164</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ -	\$ 19,978
Deferred Rental Revenue	5,058	531
Security Deposits Payable	<u>532</u>	<u>532</u>
Total Current Liabilities	<u>5,590</u>	<u>21,041</u>
<b>NET ASSETS</b>		
Temporarily Restricted	<u>11,288,448</u>	<u>11,930,123</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,294,038</u>	<u>\$ 11,951,164</u>

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

ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<b>SUPPORT AND REVENUE</b>						
Rental Income	\$ -	\$ 74,252	\$ 74,252	\$ -	\$ 82,315	\$ 82,315
Interest Income - Banks	-	2,809	2,809	-	4,987	4,987
Interest Income - Loans	-	82,081	82,081	-	56,121	56,121
Grant Income	-	-	-	-	25,000	25,000
Miscellaneous Income	-	1,550	1,550	-	2,260	2,260
Net Assets Released from Restrictions	<u>802,367</u>	<u>(802,367)</u>	<u>-</u>	<u>649,625</u>	<u>(649,625)</u>	<u>-</u>
Total Support and Revenue	<u>802,367</u>	<u>(641,675)</u>	<u>160,692</u>	<u>649,625</u>	<u>(478,942)</u>	<u>170,683</u>
<b>EXPENSES</b>						
Program Services						
Contractual	340,000	-	340,000	344,300	-	344,300
Community Development	378,046	-	378,046	145,928	-	145,928
Depreciation	29,066	-	29,066	29,066	-	29,066
Advertising	19,805	-	19,805	20,203	-	20,203
Insurance	7,563	-	7,563	6,931	-	6,931
Repairs and Maintenance	3,814	-	3,814	440	-	440
Underwriting Fees	1,353	-	1,353	-	-	-
Utilities	1,472	-	1,472	1,929	-	1,929
Bad Debt Reserve	15,000	-	15,000	95,000	-	95,000
Total Program Services	<u>796,119</u>	<u>-</u>	<u>796,119</u>	<u>643,797</u>	<u>-</u>	<u>643,797</u>
Management and General						
Accounting	3,227	-	3,227	2,969	-	2,969
Legal Expenses	1,103	-	1,103	2,273	-	2,273
Miscellaneous	1,150	-	1,150	15	-	15
D & O Insurance	768	-	768	571	-	571
Total Management and General	<u>6,248</u>	<u>-</u>	<u>6,248</u>	<u>5,828</u>	<u>-</u>	<u>5,828</u>
Total Expenses	<u>802,367</u>	<u>-</u>	<u>802,367</u>	<u>649,625</u>	<u>-</u>	<u>649,625</u>
<b>CHANGE IN NET ASSETS</b>	-	(641,675)	(641,675)	-	(478,942)	(478,942)
Net Assets - Beginning of Year	<u>-</u>	<u>11,930,123</u>	<u>11,930,123</u>	<u>-</u>	<u>12,409,065</u>	<u>12,409,065</u>
Net Assets - End of Year	<u>\$ -</u>	<u>\$ 11,288,448</u>	<u>\$ 11,288,448</u>	<u>\$ -</u>	<u>\$ 11,930,123</u>	<u>\$ 11,930,123</u>

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

**ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>12/31/2017</u>	<u>12/31/2016</u>
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (641,675)	\$ (478,942)
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Depreciation	29,066	29,066
Bad Debt Reserve	15,000	95,000
Changes in Operating Assets and Liabilities		
Cash - Security Deposits	-	(1)
Accrued Interest Receivable	2,691	(4,242)
Accounts Receivable	1,320	(1,861)
Due from Affiliate	2,842	(2,842)
Accounts Payable	(19,978)	(16,210)
Deferred Rental Revenue	4,527	(2,558)
Security Deposits Payable	-	1
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) By Operating Activities	<u>(606,207)</u>	<u>(382,589)</u>
<b>INVESTING ACTIVITIES</b>		
New Mortgages and Notes	(641,763)	(2,378,231)
Payments Received on Mortgages and Notes	<u>203,070</u>	<u>815,172</u>
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) By Investing Activities	<u>(438,693)</u>	<u>(1,563,059)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,044,900)</u>	<u>(1,945,648)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>7,997,203</u>	<u>9,942,851</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 6,952,303</u>	<u>\$ 7,997,203</u>

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



**ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 - HISTORY AND BASIS OF FINANCIAL STATEMENT PRESENTATION**

The St. Lawrence River Valley Redevelopment Agency (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, the New York Power Authority made available for economic development purposes a \$ 16,000,000 fund 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 St. Lawrence County Industrial Development Agency Local Development Corporation (SLCIDA-LDC) provided the mechanism for administering these assets. The SLRVRA has no employees.

As per the 2010 agreements, NYPA had provided the \$ 16,000,000 to the SLRVRA and the SLCIDA-LDC. On October 18, 2013, NYPA executed an agreement with the 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 in St. Lawrence County.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of 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.

**Financial Statement Presentation**

The SLRVRA has adopted *FASB ASC 958-205*. Under this standard, the SLRVRA 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 SLRVRA is required to present a statement of cash flows. As provided by this statement, the SLRVRA has arranged its financial statements to present the three classes of net assets required, as applicable.

**Contributions**

The SLRVRA 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.

**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.

**ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and savings instruments with a maturity of less than three months.

**Mortgages and Notes Receivable**

Mortgages and notes receivable are reported at their principal amounts outstanding, net of allowances for possible credit losses. Interest revenue on the mortgages and notes are a credit to interest income based on loan principal amounts outstanding at appropriate interest rates.

**Temporarily Restricted Net Assets**

The temporarily restricted net assets represent activity related to the \$ 16,000,000 grant from the New York Power Authority.

**Income Taxes**

The SLRVRA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is also duly established under Section 402 of the Not-For-Profit Corporation law of the State of New York. For tax reporting purposes, the accounts of the SLRVRA are consolidated with those of the SLCIDA-LDC for reporting as a combined entity.

**Advertising**

The SLRVRA expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2017 and 2016 were \$ 19,805 and \$ 20,203, respectively.

**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, 2017 and 2016 was \$ 29,066, for each year.

**NOTE 3 - MORTGAGES AND NOTES RECEIVABLE**

The SLRVRA carries its mortgages and notes receivable at cost recognizing interest income on the accrual basis as specified in the various agreements. The SLRVRA evaluates the collectability of its mortgages and notes receivable and the Board has established a loan loss reserve. The loan loss reserve at December 31, 2017 and 2016 was \$ 190,000 and \$ 175,000, respectively.

**ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 - MORTGAGES AND NOTES RECEIVABLE (Continued)**

Mortgages and notes receivable balances at December 31, 2017 and 2016 consisted of the following:

	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 2017</u>	<u>Balance 2016</u>
Ansen	03/04/16	03/01/26	2.750%	\$ 241,954	\$ 203,794	\$ 226,051
Atlantic Testing	01/26/17	02/01/24	2.875%	218,160	194,602	-
BlastBoss, Inc.	06/17/14	05/01/19	2.650%	37,788	-	19,836
BlastBoss, Inc.	01/04/17	01/01/22	2.875%	78,050	64,573	-
Canexsys	09/15/17	01/01/24	3.125%	150,000	143,346	-
City of Ogdensburg	01/26/15	01/26/20	1.000%	23,532	10,341	15,049
Curran Renewable Energy	03/16/16	03/01/18	2.750%	1,356,278	1,354,365	1,354,391
First Class Aire	09/12/14	09/01/29	2.625%	51,500	43,202	45,195
High Peaks Winery	04/30/14	05/01/29	2.625%	36,500	29,634	31,812
Hoosier Magnetics	09/18/15	09/01/20	2.625%	100,000	57,630	79,943
Hozmerica, LLC	07/21/15	07/01/20	2.625%	17,500	9,000	12,740
Kingston Equipment	01/04/17	12/04/21	3.125%	95,553	93,648	-
LC Drives	06/02/17	06/01/20	3.000%	100,000	83,973	-
Riverside Iron, LLC	06/27/14	07/01/24	2.625%	100,000	67,882	78,162
SLCIDA - CIB	12/04/14	11/01/21	1.000%	700,000	603,662	636,081
SLCIDA Rail Loan	08/30/16	09/01/19	1.500%	750,000	750,000	750,000
Structural Wood	12/20/11	12/01/21	2.625%	150,000	64,621	81,007
Swift Labs	09/22/16	10/01/23	2.750%	30,000	25,464	29,365
Town of Louisville	03/23/15	03/01/17	1.000%	16,000	-	1,412
					<u>3,799,737</u>	<u>3,361,044</u>
				Less Allowance for Bad Debts	<u>(190,000)</u>	<u>(175,000)</u>
					<u>\$ 3,609,737</u>	<u>\$ 3,186,044</u>

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

December 31, 2018	\$ 2,338,894
2019	245,676
2020	223,249
2021	186,762
2022	140,692
Thereafter	<u>664,464</u>
	<u>\$ 3,799,737</u>

**NOTE 4 - LOANS IN ARREARS**

There are no loans in arrears at this time.

**NOTE 5 - LOANS IN DEFAULT**

There are no loans in default at this time.

**ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 6 - LOANS WRITTEN OFF**

There were no loans written off in 2017 or 2016. See Note 3 for loan loss reserve.

**NOTE 7 - COMMUNITY DEVELOPMENT ENVIRONMENTAL IMPROVEMENT PROJECTS**

The SLRVRA made grant awards during the years 2011 through 2017 as part of its Community Development Environmental Improvement Projects (CDEIP), as authorized by the June 2, 2010 contracts. The original grant award amounts and expenditures as of December 31, 2017 are as follows:

Date of Award	Grant Award	Expended			Total Expended	Balance of Grant Remaining
		Prior to 2016	2016	2017		
2011	\$ 522,553	\$ 486,402	\$ 36,151	\$ -	\$ 522,553	\$ -
2012	556,694	552,426	4,268	-	556,694	-
2013	390,382	375,050	-	15,332	390,382	-
2014	415,152	267,352	42,800	65,000	375,152	40,000
2015	364,146	40,937	58,209	184,659	283,805	80,341
2016	493,640	-	4,500	113,055	117,555	376,085
2017	327,185	-	-	-	-	327,185
<b>Total</b>	<b>\$ 3,069,752</b>	<b>\$ 1,722,167</b>	<b>\$ 145,928</b>	<b>\$ 378,046</b>	<b>\$ 2,246,141</b>	<b>\$ 823,611</b>

**NOTE 8 - FIXED ASSETS**

Fixed assets at December 31, 2017 and 2016 consisted of:

	2017	2016
Massena Lot 18 - Building and Improvements	\$ 417,922	\$ 417,922
Massena Lot 19 - Building and Improvements	432,740	432,740
	850,662	850,662
Less: Accumulated Depreciation	(125,254)	(96,188)
	<u>\$ 725,408</u>	<u>\$ 754,474</u>

**NOTE 9 - SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions from January 1, 2018 through March 7, 2018, 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 date which are required to be recognized or disclosed in the accompanying financial statements.

ST. LAWRENCE RIVER VALLEY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 10 - CONCENTRATION OF CREDIT RISK**

At December 31, 2017, the SLRVRA had bank balances totaling \$ 6,976,641. A combination of federal depository insurance and securities pledged and held by the bank fully covered these bank balances.

**NOTE 11 - RECOGNITION OF CERTAIN GRANT REVENUE AND EXPENDITURES**

Occasionally, the SLRVRA (the “grantee”) applies for and receives grants from government agencies and other organizations. These grants are usually “reimbursement grants”, i.e., the monies from the grant are only paid to the grantee as reimbursements after the grantee has documented to the grantor that the grantee has achieved defined benchmarks, paid out required funds, and otherwise complied with all other required grant conditions. Projects in which such grants are involved often span several fiscal years and long delays in the reimbursement process are frequent. Consequently, in cases involving reimbursement grants, the SLRVRA does not accrue expected grant revenue or receivables until it has complied with the conditions of the grant agreement(s) and submitted the necessary documentation that will trigger the payment process. Until such documentation has been submitted, and accepted, the grantor still has substantial discretion to deny or reduce payment. Accordingly, at year end the SLRVRA does not accrue any expenses or payables associated with items to be paid out for future grant reimbursement until the SLRVRA is satisfied that it has complied with all grant reimbursement eligibility requirements. These items are usually paid out in the subsequent period and will be recorded as project expenses. As of December 31, 2017, there were no active grants of this nature.

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

**NOTE 12 - RELATED PARTY TRANSACTIONS**

The SLRVRA is related to the following entities:

- St. Lawrence County Industrial Development Agency Local Development Corporation (SLCIDA-LDC)  
- Program Administrative Agreements and Participation Loan Agreements.
- Greater Massena Economic Development Fund (GMEDF)  
- Participation Loan Agreements.

Administrative fees paid to the SLCIDA-LDC by SLRVRA totaled \$ 300,000 for both 2017 and 2016.

A participation loan agreement between the GMEDF and the SLRVRA resulted in an account payable to the SLRVRA by the GMEDF of \$ 2,842 at December 31, 2016.

**SUPPLEMENTARY INFORMATION**



Pinto·Mucenski·Hooper  
Van House & Co.  
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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***

Board of Directors  
St. Lawrence River Valley Redevelopment Agency  
Canton, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the St. Lawrence River Valley Redevelopment Agency (SLRVRA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 7, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the SLRVRA'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 SLRVRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SLRVRA'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.

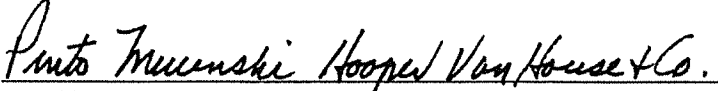
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 SLRVRA'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 7, 2018