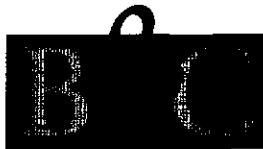


**SACKETS HARBOR LOCAL DEVELOPMENT  
CORPORATION**

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**- DECEMBER 31, 2011 -**



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

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**TO THE BOARD OF DIRECTORS  
SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION  
SACKETS HARBOR, NEW YORK**

We have audited the accompanying statements of financial position of

**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

(a non-profit organization) as of December 31, 2011 and December 31, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2010 were audited by Sovie & Bowie, PC who merged with Bowers & Company CPA's, PLLC as of January 1, 2012, and whose report dated February 3, 2011, expressed an unqualified opinion.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sackets Harbor Local Development Corporation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Bowers & Company*

March 28, 2012

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**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**ASSETS**

	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash	\$ 6,211	\$ 4,027
Savings	696,148	728,573
Loan Receivable	26,128	-
Land	114,596	114,596
Intangible assets net of amortization	<u>1,113</u>	<u>-</u>
Total Assets	<u>\$ 844,196</u>	<u>\$ 847,196</u>

**NET ASSETS**

**Net Assets:**

Unrestricted	-	-
Temporarily Restricted	<u>844,196</u>	<u>847,196</u>
Total Net Assets	<u>\$ 844,196</u>	<u>\$ 847,196</u>

The accompanying notes are an integral part of the financial statements

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2011</u>	<u>2010</u>
<b><u>Support and Revenue:</u></b>		
Interest income	\$ 3,807	\$ 4,272
Miscellaneous income	<u>1,314</u>	<u>50</u>
Total Support and Revenue	<u>5,121</u>	<u>4,322</u>
<b><u>Expenses:</u></b>		
Program Services:		
Liability Insurance	1,092	1,092
Sewer	<u>150</u>	<u>137</u>
Total programs services	1,242	1,229
Management and General Services:		
Legal and accounting fees	4,753	4,723
Directors' and officers' insurance	1,396	1,396
Clerical fees	363	213
Amortization	196	-
Administrative expenses	129	152
Postage	<u>42</u>	<u>40</u>
Total management and general services	<u>6,879</u>	<u>6,524</u>
Total Expenses	<u>8,121</u>	<u>7,753</u>
Change in net assets (deficit)	(3,000)	(3,431)
Net assets at beginning of year	<u>847,196</u>	<u>850,627</u>
Net assets at end of year	<u>\$ 844,196</u>	<u>\$ 847,196</u>

The accompanying notes are an integral part of the financial statements

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

	<u>2011</u>	<u>2010</u>
<b><u>Operating Activities:</u></b>		
Change in net assets	\$ (3,000)	\$ (3,431)
Reconciliation of change in net assets to net cash provided by operating activities:		
Amortization	<u>196</u>	<u>-</u>
Net cash (used) by operating activities	<u>(2,804)</u>	<u>(3,431)</u>
<b><u>Investing Activities:</u></b>		
(Increase) decrease in assets:		
Loan Receivable	(27,500)	-
Purchase of property and equipment	(1,309)	-
Collection on Loan receivable	<u>1,372</u>	<u>-</u>
Net cash (used) by investing activities	<u>(27,437)</u>	<u>-</u>
Increase (decrease) in cash	(30,241)	(3,431)
Cash at beginning of year	<u>732,600</u>	<u>736,031</u>
Cash at end of year	<u>\$ 702,359</u>	<u>\$ 732,600</u>

There were no non-cash investing or financing activities during the year ended December 31, 2010.

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**1. Nature of Activities and Significant Accounting Policies:**

**Nature of Activities**

Sackets Harbor Local Development Corporation was originally established to purchase land designated as a brownsite in the Sackets Harbor, New York area to restore the site into useable property. In addition, Sackets Harbor Local Development Corporation operates to relieve and reduce unemployment, to promote and provide for additional and maximum employment, to better and to maintain job opportunities, to carry on research for the purpose of aiding the communities of the Town of Hounsfield and Village of Sackets Harbor by attracting industry to said communities or encouraging the development of, retention of, new industry in the communities and lessening the burdens of government and to act in the public interest including promoting re-use of Brownsites within the Town of Hounsfield and Village of Sackets Harbor.

The territory in which the operations of the Corporation are principally conducted is the Town of Hounsfield and the Village of Sackets Harbor, Jefferson County, New York, and such territory in proximity to those municipalities in which the use of the Corporation's funds will have a substantial positive impact on the economic welfare and prosperity of the Town of Hounsfield and the Village of Sackets Harbor, New York and its inhabitants.

In March 2008, the Corporation entered into an agreement with the Village of Sackets Harbor to establish joint ownership of the property in order to participate in the New York State Environmental Restoration Program. Through this program and a State Assistance Contract, the Village could receive reimbursement of 90% of eligible costs to remediate the property with the Corporation providing the remaining costs. Costs to remediate the property were originally estimated to be \$1,000,000.

Investment income and sale of property are the sources of revenue for the Corporation.

**Basis of Accounting**

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

Financial statement presentation is in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Organizations*. Under ASC 958-205, 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.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires 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.

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**SACKETS HARBOR LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**1. Nature of Activities and Significant Accounting Policies – contd.:**

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. As there are no substantial receivables or payables, no statement of cash flows has been presented.

**Income Tax Status**

The Organization has adopted the provisions of Financial Accounting Standards Board Codification, "Income Taxes". In determining the recognition of uncertain tax positions, the Organization applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities.

The Organization recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense. The Organization analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2009, 2010 and 2011. Based on our analysis, the Organization determined that there were no uncertain tax positions and that the Organization should prevail upon examination by the taxing authorities.

**2. Cash:**

The Organization maintains cash balances at three local financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000.

**3. Loan Receivable Revolving Loan Fund:**

On February 25, 2011, Sackets Harbor Local Development Corporation entered into a tri-party loan agreement with JCIDA and RC Spot, LLC in the amount of \$27,500 each amortized over 60 months at 5% interest, to mature March 1, 2016. The first six (6) payments are interest only and the remaining 54 payments of \$570.00 per month are for principal and interest. The LDC's have a security interest in equipment of the borrower as well as the personal guarantee of the principals. The Microenterprise RLF is administered by the Jefferson County Job Development Corporation.

	<u>2011</u>	<u>2010</u>
Total	\$ <u>26,178</u>	\$ <u>---</u>

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4. **Property:**

In 2000 the Corporation purchased approximately 111 acres of land in Sackets Harbor, NY that had previously been established as a brown site due to contamination incurred when the site was used by an oil company as a transfer site. The intention of the Corporation was to return the land into useful property. In 2007, approximately 40 acres that were not contaminated was sold to New York State to expand the Sackets Harbor Battlefield. An additional parcel was sold to a local homeowner in 2007 that reduces the amount of land owned by the Corporation to approximately 70 acres. As of the end of the year, the land has not been declared clean by the Department of Environmental Conservation. Once the property has been declared to be useful, it is the intention of the Corporation to sell the property.

5. **Restrictions on Net Assets:**

Substantially all of the funds of the Corporation have been designated to be used to either to remediate the brown site to a state in which the property is once again useful or to promote economic development in the Town of Hounsfield or the Village of Sackets Harbor.

6. **Subsequent Events:**

Subsequent events were evaluated through March 28, 2012, the date the financial statements were available to be issued.

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## BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Directors and Management of  
Sackets Harbor Local Development Corporation

In planning and performing our audit of the financial statements of Sackets Harbor Local Development Corporation as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Sackets Harbor Local Development Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the following deficiency in Sackets Harbor Local Development Corporation's internal control to be a significant deficiency:

### Preparation of Financial Statements

In accordance with accounting standard SAS112, should management choose to allow the auditors to prepare the Organization's financial statements, including full footnote disclosure, instead of preparing the statements themselves, this is considered an internal control deficiency. While it is common practice for the auditors to prepare the financial statements for many organizations, the new standard requires us to communicate to those charged with governance this choice to have the auditors prepare the financial statements as a significant deficiency or material weakness. This is to ensure that you understand that the auditors, not management, have prepared the financial statements and allow those charged with governance the ability to determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained. An appropriate control could be hiring additional staff with the knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

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Preparation of Financial Statements - contd

Management has determined the cost of implementing an appropriate control outweighs the benefit that could be gained.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Bowers & Company*

March 28, 2012

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