DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

Financial Statements as of
March 31, 2013
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

June 25, 2013

To the Board of Directors of the
Development Authority of the North Country:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Development Authority of the North Country (the Authority) (a public benefit corporation of the State of New York) as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 respective financial position of the business-type activities of the Authority, as of March 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the supplemental schedule of revenue, expenses and change in net position by department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and supplemental schedule of revenue, expenses and change in net position by department are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Matter - Summarized Comparative Totals
We have previously audited the Authority's 2012 financial statements, and in our report dated June 21, 2012, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Bonadio & Co., LLP

The Development Authority of the North Country (the Authority) is a New York State public authority that serves the common interests of Jefferson, Lewis and St. Lawrence Counties by providing technical services and infrastructure, which will enhance economic opportunities in the region and promote the health and well-being of its communities.

As its mission states, the Authority is committed to environmental stewardship, fiscal integrity and partnerships. To achieve these objectives, the Authority works with its municipal partners through shared service solutions utilizing advanced technology and fostering municipal cooperation to achieve cost-effective services for the region. Services provided include water, wastewater, solid waste management, telecommunications and loans to businesses.

The Authority's Engineering and Water Quality Divisions provide for the operation and management of Authority owned infrastructure including the Army Water Line, Army Sewer Line and the Regional Waterline. Also, the Engineering and Water Quality Divisions provide water and wastewater services to include operations and maintenance of municipal systems, comprehensive geographic information systems (GIS) development, supervisory control and data acquisition (SCADA) services, engineering and technical assistance to communities in the North Country.

The Solid Waste Management Facility provides an environmentally responsible solution for waste disposal in our region. The Authority continuously looks for innovative ways to efficiently operate the facility and maintain this asset for future generations. The Authority partnered with an energy company to create a gas-to-energy plant that converts methane, a by-product of waste, into electricity using four 1.6-megawatt generators. The electricity generated is equivalent to powering over 5,000 homes. The Authority continues to explore beneficial uses for the waste heat produced by the gas-to-energy process.

The Authority's telecommunications network plays a vital role in supporting public institutions and rural businesses. Prior to constructing our carrier-class telecommunications network, many communities in the North Country were severely underserved by high-speed internet and other advanced telecommunications services. In 2004, the Authority's telecommunications network became operational. Today, the Authority supports telecom providers, healthcare and educational institutions, government and industry in the region with state-of-the art telecommunications technology.

The Authority supports economic development and works to improve the economic viability and well-being of the North Country by forming strong partnerships with local, state, and federal organizations to promote business and housing development throughout the region. The Authority administers several loan programs to promote job creation and retention among small businesses. The Authority also provides funding for the development of quality, affordable housing in Jefferson, Lewis and St. Lawrence Counties through its housing programs.

The financial statements of the Authority include the Statement of Net Position; the Statement of Revenue, Expenses and Change in Net Position; and the Statement of Cash Flows, and related notes to the financial statements. The Statement of Net Position provides information about the nature and the amounts of investments and resources (assets) and the obligations to the Authority's creditors (liabilities), with the difference between the two reported as net position.

The Statement of Revenue, Expenses and Change in Net Position, or income statement, shows how the Authority's net position changed during the year. It accounts for all the year's revenues and expenses, measures the financial results of the Authority's operations for the year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing, and investing activities.

The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Authority's accounting methods and policies.

Management provides the following discussion and analysis (MD&A) of the Authority's financial position and activities. This overview is provided for the fiscal year ended March 31, 2013. The information contained in this analysis should be used by the reader in conjunction with the information contained in our audited financial statements and the notes to those financial statements, all of which follow this narrative on the subsequent pages.

Financial Highlights

- As of March 31, 2013 assets of the Authority exceeded its liabilities by $153,116,150. Of this amount $5,393,131 is unrestricted and undesignated and may be used to meet the Authority's ongoing obligations.
- The tipping fees charged to customers at the Solid Waste Management Facility include certain amounts to fund replacement of major equipment and facility improvements, planned extensions of the landfill liner system, closure and post closure care of the landfill. Tipping fees revenue (included in customer billings) decreased during the current year from $8,545,328 for the 2012 fiscal year to $8,274,628 for the 2013 fiscal year. The change was primarily a result of a decrease in tonnage.
- The gas-to-energy plant at the Solid Waste Management Facility converts methane gas produced by the landfill into energy. The landfill gas-to-energy plant revenue (included in other revenue) increased during the current year from $563,964 for the 2012 fiscal year to $1,009,649 for the 2013 fiscal year. The increase was primarily a result of the addition of a fourth generator in 2013 and a favorable change in market conditions, which increased the value of renewable energy credits.
- The telecommunications division of the Authority partnered with a private company for an American Recovery and Reinvestment Act grant as part of the Broadband Stimulus Program. The Authority's portion of the grant is expected to be $17,000,000 through fiscal year 2014. This grant provides redundancy for the existing customer base by allowing the Authority to build a diverse ring from Lowville to Utica and back to Syracuse. It also enables the Authority to extend the existing network to Franklin, Clinton and Essex Counties. When complete, the telecommunications network will consist of over 1,000 miles of fiber network and will include 19 Central Office locations.
- The Authority has taken a very active role in working with its partners to reduce waste entering its Solid Waste Management Facility. The Authority with its partners, manage the website www.NorthCountryRecycles.org. This website and marketing campaign is designed to educate residents to reduce, reuse and recycle waste. In 2013, the Authority entered into an agreement with Cornell Cooperative Extension of Jefferson County for the provision of a community educator for recycling programs. An educator was hired to provide information and recommendations to regional schools and businesses. By doing so, less waste goes in to the Solid Waste Management Facility. Additionally, as an incentive to recycle, the Authority rebated its partners tipping fees of $175,000 in 2013.

Overview of the Financial Statements

This annual report consists of a series of two parts, management's discussion and analysis (this section) and the financial statements. The 'Statement of Net Position' and the 'Statement of Revenue, Expenses and Change in Net Position' (on pages 12 and 13, respectively), and footnotes provide both long-term and short-term information about the Authority's overall financial status.

Financial Statements

The Authority's financial statements are prepared on an accrual basis in accordance with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Government Accounting Standards Board (GASB). The Authority is a multi-purpose entity and revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

Budget vs. Actual

The operations of the Authority remain stable with variations between budgets and actual considered minimal. The Authority is not aware of any circumstances or situations that would significantly impair its ability to operate its facilities as a going concern.

Summary of Operations and Change in Net Position

	2013	2012 (As restated)	Change	% Change
Operating revenue	$ 31,963,577	$ 25,702,075	$ 6,261,502	24.4%
Operating expenses	(18,159,098)	(17,011,554)	(1,147,544)	(6.7%)
Operating income	13,804,479	8,690,521	5,113,958	58.8%
Non-operating revenue, net	99,877	487,230	(387,353)	(79.5%)
Change in net position before change in accounting position	13,904,356	9,177,751	4,726,605	51.5%
Change in accounting principle	-	(132,729)	132,729	100.0%
Change in net position	$ 13,904,356	$ 9,045,022	$ 4,859,334	53.7%

- The 24.4% increase in operating revenue is primarily due to Federal and other grants earned in 2013. The Authority earned approximately $7,537,000 and $3,163,000 in ARRA Federal Stimulus funding for expansion of the Telecommunications fiber network in 2013 and 2012 respectively. A $3,000,000 grant from Empire State Development was received in March 2013. The funds were deposited into the Authority's housing revolving loan fund.
- The 79.5% decrease in net non-operating revenue is primarily due to a decrease in interest income of $570,000 with a decline in interest rates. This significant decrease was offset by a $194,000 decrease in interest expense due to the pay down of outstanding debt.
- The change in accounting principle represents the expensing of the bond issuance costs and the re-categorization of the swap contract as described further in footnote 3 to the financial statements.

Financial Position Summary

Net position is an indication of the Authority's financial strength. The Authority's net position increased by $13,904,356 during fiscal 2013 to $153,116,150 at March 31, 2013. A summary of the Authority's net position is shown below.

	2013	2012 (As restated)	Change	% Change
ASSETS:				
Current assets	$ 22,975,296	$ 15,808,213	$ 7,167,083	45.3%
Loans receivable, net	26,225,575	25,269,378	956,197	3.8%
Investments	26,517,188	26,753,048	(235,860)	(0.9%)
Funds held by trustee	2,623,071	2,741,322	(118,251)	(4.3%)
Other postemployment benefit reserve fund	2,397,577	2,008,499	389,078	19.4%
Restricted assets	38,211,234	44,328,424	(6,117,190)	(13.8%)
Capital assets, net	72,241,960	61,734,728	10,507,232	17.0%
Total assets	$ 191,191,901	$ 178,643,612	$ 12,548,289	7.0%
DEFERRED OUTFLOWS	$ 88,445	$ 305,673	$ (217,228)	(71.1%)
LIABILITIES:				
Current liabilities	$ 6,861,837	$ 6,258,800	$ 603,037	9.6%
Other liabilities (long-term)	31,302,359	33,478,691	(2,176,332)	(6.5%)
Total liabilities	$ 38,164,196	$ 39,737,491	$ (1,573,295)	(4.0%)
NET POSITION:				
Invested in capital assets, net of related debt	$ 57,280,182	$ 42,748,631	$ 14,531,551	34.0%
Restricted	46,074,105	49,379,538	(3,305,433)	(6.7%)
Unrestricted	49,761,863	47,083,625	2,678,238	5.7%
Total net position	$ 153,116,150	$ 139,211,794	$ 13,904,356	10.0%

- The 45.3% increase in current assets is primarily due to an increase in cash and cash equivalents of $5,912,609, which was due to the operating surplus.
- Other postemployment benefit reserve fund assets increased by $389,078 or 19.3% with additional funding and interest earnings.
- Restricted assets decreased $6,117,190 or 13.8% which was primarily due to the construction of an additional cell at the Solid Waste Management Facility.
- Current liabilities increased $603,037 or 9.6% with an increase in payables relating to construction costs for the Telecommunications stimulus projects.
- Other liabilities (long-term) decreased $2,176,332 or 6.5% with the pay down of the Authority's debt.
- Invested in capital assets, net of related debt increased by $14,531,551 or 34.0% due to capital project construction authorized by the Board. Significant capital outlays were made for the liner construction at the Solid Waste Management Facility and the expansion of the telecommunications network.

Financial Position Summary (Continued)

As a provider of essential services, the Authority has a significant investment in infrastructure. The Authority's infrastructure includes: 1) approximately 45 miles of water and wastewater transmission pipelines and associated pumping stations servicing Fort Drum and North Country Communities, 2) a Solid Waste Management Facility located in Rodman, New York, and 3) a state-of-the-art telecommunications network. The Authority's net assets also include funds available to pay for ongoing and future construction of replacements and/or additions to this infrastructure.

At March 31, 2013, the board of directors designated the Authority's unrestricted net position for the following uses:

Supplemental insurance reserves	$ 7,000,000
Community rental housing	7,000,000
Infrastructure development	323,108
Capital reserves	16,392,205
Solid waste - tip fee stabilization, carbon credit, recycling and landfill gas reserves	2,539,142
Other postemployment benefits reserve	369,339
Community development loan fund	5,244,938
Healthcare reserve	2,500,000
Affordable housing	3,000,000
	$ 44,368,732

Revenue

The Authority sets its rates annually concurrent with the adoption of its annual operating budget.

The Solid Waste Management Facility revenue is derived from tipping fees. The per ton tipping fee charged to customers includes certain amounts to fund replacement of major equipment, closure of the landfill and post-closure care.

Rates for telecommunications network services are authorized by the Authority's Board of Directors and filed with the New York State Public Service Commission.

Rates for water quality services are reviewed and adjusted annually based on projected operating costs.

Grants from government sources include payments made to the Authority by New York State and Federal sources.

Summary of Operating Revenue

	2013	2012	Change	Change
Service and usage revenue:				
Solid Waste Management Facility	$ 8,274,628	$ 8,545,328	$ (270,700)	(3.2%)
Water Quality operations	5,527,700	5,279,767	247,933	4.7%
Telecommunications network	5,652,896	5,832,358	(179,462)	(3.1%)
Housing and economic development	4,945	4,945	-	-
Administrative contracts	87,990	93,475	(5,485)	(5.9%)
Total service and usage revenue	19,548,159	19,755,873	(207,714)	(1.1%)
Grants from government sources	10,663,065	4,240,520	6,422,545	151.5%
Interest received from outstanding loans	568,406	572,032	(3,626)	(0.6%)
Miscellaneous operating revenue	1,183,947	1,133,650	50,297	4.4%
Total operating revenue	$ 31,963,577	$ 25,702,075	$ 6,261,502	24.4%

- Solid Waste Management Facility revenues decreased $270,700 or (3.2%). The decrease was a result of a decrease in tonnage received at the facility from approximately 243,000 tons in 2012 to 222,000 tons in 2013.
- Water Quality revenues increased $247,993 or 4.7%, which was due to an increase in water and wastewater flows of the Army Water and Sewer Lines.
- Telecommunications network revenues decreased $179,462 or (3.1%) with Authority customers consolidating multiple smaller circuits into one larger capacity circuit at a reduced cost.

Summary of Operating Expenses

The Authority's expenses are budgeted and tracked functionally by operating department. The Authority is functionally divided into the following departments: Solid waste management, Water Quality, Telecommunications network, Housing and economic development, and Administration.

The following is a breakdown of the Authority's expenses by operating department:

	2013	2012 (As restated)	Change	% Change
Functional expenses:				
Solid Waste Management Facility	$ 8,683,434	$ 8,320,569	$ 362,865	4.4%
Water Quality	4,943,329	4,512,150	431,179	9.6%
Telecommunications network	3,883,597	3,563,757	319,840	9.0%
Housing and economic Development	363,252	383,766	(20,514)	(5.3%)
Administration	285,486	231,312	54,174	23.4%
Total functional expenses	$18,159,098	$17,011,554	$ 1,147,544	6.7%

Summary of Operating Expenses (Continued)

- Solid Waste Management Facility expenses increased $362,865 or 4.4%. This increase was primarily due to an increase in depreciation expense with significant additions in the past two years.
- Water Quality expenses increased $431,179 or 9.6%. This was mainly due to an increase in costs of water purchased from the City of Watertown with the first full year of the new water purchase agreement and salaries and fringe benefits with the hiring of additional water quality technicians.
- Telecommunication network expenses increased $319,840 or 9.0%. This increase was due to an increase in operation and maintenance costs with the expansion of the network and increases in salaries and benefits with the hiring of engineers for various telecommunication projects.
- Housing and economic development expenses decreased $20,514 or (5.3%). The decrease is due to salaries and fringe benefits with staff turnover.
- Administrative expenses increased $54,173 with an increase in computer expenses.

The following is a breakdown of the Authority's total operating expenses by natural classification:

	2013	2012 (As restated)	Change	% Change
Operating expenses:				
Depreciation and amortization	$ 5,553,423	$ 5,232,537	$ 320,886	6.1%
Salaries and fringe benefits	5,786,860	5,463,754	323,106	5.9%
Wastewater treatment	967,262	767,335	199,927	26.1%
Community benefits	711,093	750,329	(39,236)	(5.2%)
Water purchases	910,178	707,687	202,491	28.6%
Operating and maintenance	3,298,975	3,127,033	171,942	5.5%
General and administrative	297,969	273,070	24,899	9.1%
Closure and post-closure costs	633,338	689,809	(56,471)	(8.2%)
Total operating expenses	$18,159,098	$17,011,554	$ 1,147,544	6.7%

- Total operating expenses increased $1,147,544 or 6.7%.
- Salaries and fringe benefits were $5,786,860 for 2013 as compared to $5,463,754 in 2012, which is the result of new positions authorized, salary adjustments and increased fringe benefit costs.
- Wastewater treatment costs increased $199,927 or 26.1% due to an increase in leachate costs with an increase in flows.
- Water purchases increased $202,491 or 28.6% due to the increased volume of water purchased. Also, the Authority entered into a new contract to purchase water from the City of Watertown with an effective date of October 1, 2011. Fiscal year 2013 was the first full year under this contract which increased water costs by approximately 20%.
- Operating and maintenance increased by $171,942 or 5.5%. The increase mainly relates to an increase in office and computer expenses.
- Closure and post-closure costs decreased $56,471 or 8.2%, due to a change in the estimated future liability.

Non-Operating Revenue (Expense)
The Authority's non-operating revenue (expense) is composed of the following:

	2013	2012	Change	% Change
Non-operating revenue (expense):				
Interest income	$ 840,200	$ 1,410,645	$ (570,445)	(40.4%)
Amortization of refunding loss	(176,295)	(165,249)	(11,046)	6.7%
Interest expense	(564,028)	(758,166)	194,138	25.6%
Total	$ 99,877	$ 487,230	$ (387,353)	(79.5%)

- Interest income decreased $570,445 or 40.4% due to declines in interest rates received.
- Interest expense decreased $194,138 or 25.6% due to principal payments made on long-term debt.

Postemployment Benefits
The Authority covers 90% of eligible retirees' individual health care premiums after 15 years of service, provided that the employee was employed at the Authority at the time of retirement. Employees hired after April 1, 2008 require 20 years of service. The Authority recorded a liability for other postemployment benefits in the amount of $2,028,238. The Authority has a board designated money market account in the amount of $2,397,577 for other postemployment benefits.

Capital Assets
At the end of 2013, the Authority had $72,241,960 (net of accumulated depreciation) invested in a broad range of capital assets, including the Solid Waste Management Facility, Telecommunications Network, Water Quality facilities, equipment and vehicles. This amount represents an increase (net of disposals and depreciation) of $10,507,232 or 17.0% over last year. The detail of capital asset activity and balances for the various categories is included in note 10 to the financial statements.

Long-Term Debt Administration
As of March 31, 2013, the Authority has three revenue bond series outstanding totaling $9,600,000.

Development Authority of the North Country Bond Series	Bonds Outstanding as of March 2013	Bonds Outstanding as of March 2012	Principal Due 2014
Series 1997	$ 2,670,000	$ 3,445,000	$ 820,000
Series 1995/2005D	4,465,000	5,875,000	1,470,000
Series 2010C	2,465,000	2,775,000	320,000
Total	$ 9,600,000	$ 12,095,000	$ 2,610,000

In addition to the bonds, the Authority had $7,137,997 of loans payable as of March 31, 2013.

Loans, Contract and Capital Lease Payables	Outstanding as of March 2013	Outstanding as of March 2012	Principal Due 2014
Loans payable	$ 7,173,996	$ 9,187,524	$ 1,474,973
Contract payable	-	31,889	-
Total	$ 7,173,996	$ 9,219,413	$ 1,474,973

Long-Term Debt Administration (Continued)
In total the Authority's debt decreased by $4,562,150 or 21.3%, which was the result of the Authority making principal payments of $4,540,417 and the amortization of $21,733 on the bond premium. There were no additional borrowings in 2013.

Credit Ratings
The Authority is the recipient of favorable credit ratings from both Moody's and Standard & Poor's. The Authority has an A3 rating assigned to its revenue bonds by Moody's Investors Service and an AA- by Standard & Poor's. The Authority's bond ratings were last reviewed by Moody's Investors Service in March 2012 and by Standard & Poor's in November 2011. The Authority issues revenue bonds subject to its Trust Indentures.

Request for Information
This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or a request for additional information should be addressed in writing to the Comptroller at the Dulles State Office Building, 317 Washington Street, Watertown, New York 13601.

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

STATEMENT OF NET POSITION
FOR THE YEAR ENDED MARCH 31, 2013
(With Comparative Totals for 2012)

	2013	2012 (As restated)
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,612,161	$ 13,699,552
Accounts receivable	2,602,006	1,732,287
Accrued unbilled revenue	390,113	21,333
Interest receivable	120,496	137,905
Inventory	29,484	16,997
Prepaid expense and other assets	221,036	200,139
Total current assets	22,975,296	15,808,213
LOANS RECEIVABLE, net	26,225,575	25,269,378
INVESTMENTS	26,517,188	26,753,048
FUNDS HELD BY TRUSTEE	2,623,071	2,741,322
OTHER POSTEMPLOYMENT BENEFIT RESERVE FUND	2,397,577	2,008,499
RESTRICTED ASSETS	38,211,234	44,328,424
CAPITAL ASSETS, net	72,241,960	61,734,728
Total assets	191,191,901	178,643,612
DEFFERED OUTFLOWS		
Deferred amount on refunding	-	176,295
Accumulated decrease in fair value of swap contract	88,445	129,378
Total deferred outflows	88,445	305,673
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 191,280,346	$ 178,949,285
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 2,144,967	$ 1,475,446
Current portion of long-term debt	4,084,973	4,139,501
Accrued expenses	381,850	370,995
Interest payable	152,718	194,558
Current portion of unearned revenue	97,329	78,300
Total current liabilities	6,861,837	6,258,800
DUE TO U.S. ARMY	749,985	749,985
UNEARNED REVENUE, net of current portion	1,604,142	182,448
SWAP LIABILITY	88,445	129,378
LANDFILL CLOSURE AND POST-CLOSURE CARE LIABILITY	14,040,744	13,508,998
OTHER POSTEMPLOYMENT BENEFITS LIABILITY	2,028,238	1,609,455
LONG-TERM DEBT, net of current portion	12,790,805	17,298,427
Total liabilities	38,164,196	39,737,491
NET POSITION:		
Invested in capital assets, net of related debt	57,280,182	42,748,631
Restricted	46,074,105	49,379,538
Unrestricted	49,761,863	47,083,625
Total net position	153,116,150	139,211,794
TOTAL LIABILITIES AND NET POSITION	$ 191,280,346	$ 178,949,285

The accompanying notes are an integral part of these statements.

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2013
(With Comparative Totals for 2012)

	2013	2012 (As restated)
OPERATING REVENUE:		
Customer billings	$ 19,548,159	$ 19,755,873
Grant revenue	10,663,065	4,240,520
Loan interest income	568,406	572,032
Other revenue	1,183,947	1,133,650
Total operating revenue	31,963,577	25,702,075
OPERATING EXPENSES:		
Depreciation and amortization	5,553,423	5,232,537
Salaries	3,881,771	3,694,331
Fringe benefits	1,905,089	1,769,423
Operation and maintenance	1,789,334	1,719,667
Wastewater treatment	967,262	767,335
Community benefits	711,093	750,329
Water purchases	910,178	707,687
Closure and post-closure costs	633,338	689,809
Office and administrative	527,686	468,323
Insurance	223,954	200,538
Utilities	180,449	187,338
Professional fees	159,952	179,949
Automobile	200,173	176,801
Materials and supplies	148,200	147,193
NYS administrative assessment	121,810	112,440
Repairs and maintenance	95,321	110,298
Computer	145,207	97,556
Bad debt	4,858	-
Total operating expenses	18,159,098	17,011,554
Total operating income	13,804,479	8,690,521
NON-OPERATING REVENUE (EXPENSE):		
Interest income	840,200	1,410,645
Amortization of refunding loss	(176,295)	(165,249)
Interest expense	(564,028)	(758,166)
Total non-operating revenue, net	99,877	487,230
CHANGE IN NET POSITION BEFORE CHANGE IN ACCOUNTING PRINCIPLE	13,904,356	9,177,751
CHANGE IN ACCOUNTING PRINCIPLE		
Swap contract	-	142,160
Bond issuance costs	-	(274,889)
Total change in accounting principle	-	(132,729)
CHANGE IN NET POSITION	13,904,356	9,045,022
NET POSITION - beginning of year	139,211,794	130,166,772
NET POSITION - end of year	$ 153,116,150	$ 139,211,794

The accompanying notes are an integral part of these statements.

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013
(With Comparative Totals for 2012)

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 20,527,510	$ 20,379,277
Receipts from grants	10,682,094	4,240,520
Cash payments to suppliers	(7,137,238)	(7,002,061)
Cash payments to employees	(3,870,916)	(3,614,909)
Net cash flow from operating activities	20,201,450	14,002,827
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(16,082,388)	(12,594,967)
Payments on long-term debt	(4,540,417)	(4,010,851)
Interest paid	(605,868)	(797,135)
Net cash flow from financing activities	(21,228,673)	(17,402,953)
CASH FLOW FROM INVESTING ACTIVITIES:		
Receipts of interest	857,609	1,515,549
Net purchases of investments	235,860	319,559
Deposits into other postemployment benefit reserve fund	(389,078)	(402,356)
Net purchases of restricted assets	6,117,190	2,985,029
Change in funds held by trustee	118,251	191,506
Net cash flow from investing activities	6,939,832	4,609,287
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,912,609	1,209,161
CASH AND CASH EQUIVALENTS - beginning of year	13,699,552	12,490,391
CASH AND CASH EQUIVALENTS - end of year	$ 19,612,161	$ 13,699,552
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	$ 13,804,479	$ 8,690,521
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization	5,553,423	5,232,537
Landfill closure and post-closure care costs	531,746	222,608
Postemployment benefits expense	418,783	354,003
Change in:		
Accounts receivable	(869,719)	(228,553)
Accrued unbilled revenue	(368,780)	(13,603)
Loans receivable	(956,197)	(706,583)
Inventory	(12,487)	(8,012)
Prepaid expenses and other assets	(20,897)	(13,289)
Accounts payable and accrued expenses	680,376	551,504
Deferred revenue	1,440,723	(78,306)
Net cash flow from operating activities	$ 20,201,450	$ 14,002,827

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

Development Authority of the North Country (the Authority) is a public benefit corporation organized under the Public Authorities Law of the State of New York. The Authority was created to provide infrastructure services and economic development in Jefferson, Lewis and St. Lawrence Counties of New York State. The infrastructure services provided by the Authority include water, wastewater, solid waste management and telecommunications. The Authority assists in the economic development of these counties by financing housing and business development projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Basis of Presentation
GASB requires the classification of net position into three components - invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted - This component of net position consists of amounts that do not meet the definition of "invested in capital assets, net of related debt" or "restricted." Unrestricted net position may be designated for specific purposes by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Comparative Financial Statements
The financial statements include certain prior year summarized comparative information in total but not in the same detail used for current year presentation. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended March 31, 2012, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of presenting the statement of cash flows, the Authority considers all highly liquid short-term investments with maturities of three months or less from the date of purchase to be cash or cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of amounts due from customers for services provided. Management records an allowance for doubtful accounts based on past collection experience and an analysis of outstanding amounts. No allowance for doubtful accounts was considered necessary at March 31, 2013 or 2012.

Accrued Unbilled Revenues

Accrued unbilled revenues represents revenue earned in the current year but not billed to customers until future dates, usually within three months.

Loans Receivable

Loans receivable consist primarily of amounts loaned to businesses in Northern New York in order to enhance economic development, create housing and encourage job creation and retention. Loans are stated at unpaid principal balances, less the allowance for loan losses. Loans are collateralized by related property, plant and equipment. Interest income is accrued on the unpaid balance. Interest rates charged to outstanding loans range from 1% to 7.25% and are due at various dates through December 2040.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on past collection experience and an analysis of outstanding amounts. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged to the provision for loan losses. An allowance for loan loss of $192,737 was considered necessary at March 31, 2013 and 2012.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary because of uncertainties associated with local economic conditions and future cash flows on impaired loans.

Investments

Investments consist of certificates of deposit, and U.S. and other government obligations with maturities extending beyond a three-month period from the date of purchase and due within one year from the balance sheet date. The Authority reports certificates of deposit at cost and U.S. and other government obligations at fair value based on quoted market prices.

Funds Held by Trustee

Funds held by Bank of New York (the Trustee), as required by bond agreements, consist of certificates of deposit, U.S. and other government obligations, and money market funds. The Authority reports certificates of deposit at cost and U.S. and other government obligations at fair value based on quoted market prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefit Reserve Fund
Funds held for other postemployment benefits consist of certificates of deposit and money market funds. The Authority reports these items at cost. Currently, New York State does not have legislation enabling the establishment of a separate trust to hold these funds. Until such time as such enabling legislation is enacted, these funds will be reflected as board designated on the accompanying statement of net assets.

Unamortized Bond Premium
Bond premium obligations are amortized over the term of the respective bond issues.

Capital Assets
Capital assets are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the capital assets, which range from three (3) to fifty (50) years. The Authority capitalizes all expenditures for capital assets in excess of $10,000 and which have useful lives greater than one year. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any unrelated gains or losses are recorded.

Unearned Revenue
Revenue collected in advance of service provision is recorded as unearned revenue and is recognized as revenue in the period in which it is earned.

Revenue Recognition
Revenues from sales of services are recognized at the time of service delivery based on actual or estimated rates. Revenues from grant agreements are recognized when earned.

Operating and Non-Operating Revenues and Expenses
Operating revenue consists of sales of services performed and other related revenue. The Authority defines non-operating revenue as interest earnings on investment assets and realized/unrealized gains or losses on sales of investments. Non-operating expenditures include interest expense on long-term debt and gains/losses on disposals of capital assets.

Landfill Closure and Post-Closure Care Liability
In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*, the Authority records landfill closure and post-closure care costs as an operating expense based on the landfill capacity used as of the balance sheet date and the current estimated costs for closure and post-closure care.

Income Tax Status
As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales taxes.

Other Postemployment Benefits
The Authority provides certain health care benefits to its retired employees in accordance with the provisions of employment contracts.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLE

GASB issued statements No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and No. 65, "*Items Previously Reported as Assets and Liabilities.*" These statements update and improve existing standards by providing users with information about how past transactions will continue to impact a government's financial statements in the future. The statements require that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities and identifies net position as the residual of all other elements presented. The Authority adopted the provisions of these statements retroactively for the years ended March 31, 2013 and 2012.

The 2012 financial statements have been restated to recognize this change in accounting principle. The effect of this restatement as of and for the year ended March 31, 2012 is as follows:

	As Previously Reported	Restated
Swap contract deferred outflow	$ -	$ 142,160
Bond issuance costs	$ 274,889	$ -
Gain on swap contract	$ 12,782	$ -
Depreciation and amortization	$ 5,283,834	$ 5,232,537
Change in accounting principle	$ -	$ (132,729)
Net position, end of year	$ 139,306,008	$ 139,211,794

4. NET POSITION

Restricted Net Position
The Authority maintains the following in restricted net position:

	2013	2012
Community rental housing program	$ 8,844,290	$ 8,682,671
Community development loan fund	100,000	100,000
Affordable housing program	21,100,657	20,864,422
Army water and sewer line reserves	1,800,000	1,800,000
Regional waterline operating and debt service reserves	370,447	293,233
Reserve for liner expansion and replacement	8,257,367	12,100,101
Reserve for open access telecommunication networks	5,601,344	5,539,111
Total restricted net position	$ 46,074,105	$ 49,379,538

Unrestricted
Unrestricted net position consists of Board designated net assets and undesignated net position. Board designated net position represents amounts specified by the Authority's Board for a particular use. The Board has the authority to release these funds for other purposes.

4. NET POSITION (Continued)

Unrestricted (Continued)
The Authority maintains the following in unrestricted net position:

	2013	2012
Board designated net assets:		
Supplemental insurance reserves	$ 7,000,000	$ 7,000,000
Community rental housing	7,000,000	7,000,000
Infrastructure development	323,108	323,108
Capital reserves	16,392,205	16,734,701
Solid waste - tip fee stabilization, carbon credit, recycling and landfill gas reserves	2,539,142	2,777,848
Other postemployment benefits reserve	369,339	399,044
Community development loan fund	5,244,938	5,299,800
Healthcare reserve	2,500,000	-
Affordable housing	3,000,000	-
	44,368,732	39,534,501
Undesignated net assets	5,393,131	7,549,124
	$ 49,761,863	$ 47,083,625

5. CONTRACTUAL AGREEMENTS

Solid Waste Management Agreement
The Authority entered into an agreement with the City of Watertown (the City) and Jefferson, Lewis and St. Lawrence Counties (collectively, the Municipalities) to construct and operate a solid waste management facility. Each year, the Authority submits its actual amounts of capital, operating, maintenance and overhead costs and revenues to the Municipalities. A deficit in any year requires an adjustment charge to each municipality for its percentage of usage during the year with the deficit. Since inception of the Solid Waste Management Facility, the Authority has not reported a deficit requiring an adjustment charge. This agreement expires on the date upon which the Authority's obligations for the facility are fully discharged.

Host Community Agreement
In 1993, the Authority entered into an agreement with the Town of Rodman (the Town) to locate a solid waste management facility within the Town. This agreement requires the Authority to pay a quarterly fee, which is adjusted each year by the consumer price index, on a per ton of waste received basis. Also, the agreement requires a minimum host community fee of $50,000 for each year the Solid Waste Management Facility is in actual operation. This agreement was revised in fiscal year 2011. Under the terms of the revised agreement, the Town receives a 75% reduction in tipping fees. Additionally, the Authority pays the Town 50% of the first $100,000 of the proceeds from the sale of energy at the gas-to-energy plant, 25% of the next $100,000 of proceeds and 10% thereafter. Host community benefits expense was $711,093 and $750,329 in 2013 and 2012, respectively.

5. CONTRACTUAL AGREEMENTS (Continued)

Gas-to Energy Plant Agreement

In fiscal year 2009, the Authority entered into a lease agreement with a Company for the construction and operation of a gas-to-energy plant at the Solid Waste Management Facility. The Company constructed the plant and installed the necessary equipment on the Authority's property in order to convert the methane gas produced by the Solid Waste Management Facility into energy. The title for the plant was transferred to the Authority. The Authority entered into a direct financing lease with the Company for the plant and equipment for $1 per year plus 50% of revenues derived from the energy created for a period of 20 years. As this lease is a direct financing lease, the related assets are not included in the Authority's financial statements at year-end. This lease includes two five-year renewal options and a $1 purchase agreement for the equipment at the end of the lease. The contingent rental benefits related to this agreement amounted to $1,009,649 and $563,964 in 2013 and 2012, respectively, and are recorded in other revenue on the accompanying Statement of Revenue, Expenses and Change in Net Position.

Water Agreement

The Authority and the U.S. Army (the Army) entered into a water supply agreement in 1990. The City is also a party to this agreement as it provides the water to the Authority for transport to the Army. Under the terms of this agreement, the Army is entitled to use the Authority's water line at a rate that is established annually based on the combined annual capital, overhead, and operating and maintenance costs of the Authority.

The agreement requires the Authority to hold a repair reserve of $900,000. The use of these funds requires permission from the Army and has been recorded in the accompanying financial statements as restricted net position.

Wastewater Agreement

The Authority and the Army entered into a wastewater service agreement in 1986. The City is also a party to this agreement as it provides the sewage treatment services. Under the terms of this agreement, the Army is entitled to use the Authority's wastewater line at a rate that is established annually based on the combined annual capital, overhead, and operating and maintenance costs of the Authority and the City.

The agreement requires the Authority to hold a repair reserve of $900,000. The use of these funds requires permission from the Army and has been recorded in the accompanying financial statements in restricted net position. Additionally, an administrative support advance of $749,985 was received from the Army. These monies are to be credited against the last two months service invoices prior to the termination of the agreement and have been recorded in the accompanying financial statements as a liability to the Army.

6. ACCOUNTS RECEIVABLE

Accounts receivable are due within one year and consisted of the following at March 31:

	2013	2012
Solid Waste Management Facility	$ 606,923	$ 574,920
Water Quality	229,510	562,608
Telecommunications network	1,762,411	582,645
Other	3,162	12,114
	$ 2,602,006	$ 1,732,287

7. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The investment guidelines established by the Authority permit the investment of funds held by the Authority and funds held in trust for the Authority to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, State of New York Government obligations, United States Government obligations and repurchase agreements.

The Authority's investment policy requires its deposits and investments, not controlled by the Trustee, to be collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. Total deposits of cash and cash equivalents not controlled by the Trustee (including certificates of deposit and money market funds) are as follows at March 31:

	2013	2012
Demand deposits	$ 18,352,961	$ 12,451,944
Time deposits	1,259,200	1,247,608
	$ 19,612,161	$ 13,699,552

Custodial Credit Risk
For cash deposits or investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the Authority's investment policy, an investment of funds may be less than fully secured in the event that any one of the following occurs: the yield on the investment outweighs the risk, it involves an investment of less than $25,000, it is an investment with a duration of less than a week or it is not a customary practice that the investment be fully secured. All investments were fully secured at March 31, 2013. Total investments by type are as follows at March 31:

	2013	2012
United States Treasury obligations/Government agencies	$ 5,100,978	$ 3,581,247
Certificates of deposit	21,416,210	23,171,801
	$ 26,517,188	$ 26,753,048

7. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

At March 31, 2013, the carrying amount of the Authority's cash and cash equivalents was $19,612,161 and was exposed to custodial credit risk as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	$ 28,890,727	$ 19,612,161
Covered by FDIC insurance	$ 500,000	
Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name	29,665,999	
	$ 30,165,999	

Collateral is required for time deposits and certificates of deposit at 102 percent of all deposits not covered by the federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and towns.

8. RESTRICTED ASSETS

Restricted assets are held for the following purposes at March 31:

	2013	2012
Landfill closure and post-closure care	$ 13,418,687	$ 13,230,127
Community rental housing program	3,273,521	3,283,462
Affordable housing program	5,730,702	5,190,454
Army water and wastewater line	2,941,357	3,174,170
Regional waterline operating and debt service reserves	294,052	280,413
Liner and replacement at solid waste management facility	7,194,940	13,874,057
Telecommunications network	5,357,975	5,295,741
	$ 38,211,234	$ 44,328,424

For restricted assets, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the Authority's investment policy, an investment of funds may be less than fully secured in the event that any one of the following occurs: the yield on the investment outweighs the risk, it involves an investment of less than $25,000, it is an investment with a duration of less than a week or it is not a customary practice that the investment be fully secured. All restricted assets were fully secured at March 31, 2013.

8. RESTRICTED ASSETS (Continued)

Restricted assets consisted of the following at March 31:

	2013	2012
Money market funds	$ 11,171,000	$ 11,011,804
United States Treasury obligations/Government agencies	4,246,491	4,974,441
Certificates of deposit	22,733,912	28,258,760
Accrued interest receivable	59,831	83,419
	$ 38,211,234	$ 44,328,424

9. LOANS RECEIVABLE

Loans receivable are summarized as follows at March 31:

	2013	2012
Loans receivable:		
Affordable Housing Program - Commercial loans	$ 13,606,385	$ 13,991,003
Community Rental Housing Program - Commercial loans	10,124,389	8,873,563
Community Development Loan Fund - Commercial loans	2,687,538	2,597,549
Total loans receivable	$ 26,418,312	$ 25,462,115

The following tables present informative data by class of loans receivable regarding their age and interest accrual status at March 31, 2013.

	Current	30 - 59 Days	60 - 89 Days	≥ 90 Days	Total Past Due	Non-accrual	Total Loans Receivable
Affordable Housing Program	$ 13,606,385	$ -	$ -	$ -	$ -	$ -	$13,606,385
Community Rental Housing Program	10,124,389	-	-	-	-	-	10,124,389
Community Development loan fund	2,647,538	-	-	40,000	40,000	-	2,687,538
Total	$ 26,378,312	$ -	$ -	$ 40,000	$ 40,000	$ -	$26,418,312

The following tables present informative data by class of loans receivable regarding their age and interest accrual status at March 31, 2012.

	Current	30 - 59 Days	60 - 89 Days	≥ 90 Days	Total Past Due	Non-accrual	Total Loans Receivable
Affordable Housing Program	$ 13,925,803	$ -	$ -	$ 65,200	$ 65,200	$ -	$ 13,991,003
Community Rental Housing Program	8,873,563	-	-	-	-	-	8,873,563
Community Development loan fund	2,556,214	1,335	-	40,000	41,335	-	2,597,549
Total	$ 25,355,580	$ 1,335	$ -	$ 105,200	$ 106,535	$ -	$ 25,462,115

9. LOANS RECEIVABLE (Continued)

Activity in the allowance for loan losses is as follows for the years ended March 31:

	2013	2012
Balance, beginning of year	$ 192,737	$ 202,738
Loans charged off	-	(10,001)
Balance, end of year	$ 192,737	$ 192,737

The following summarizes the ending loan receivable balances individually and collectively evaluated for impairment, as well as the allowance for loan loss allocation for each at March 31, 2013.

	Ending Loan Balance			Allowance for Loan Losses		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
Commercial loans	$ 26,418,312	$ -	$26,418,312	$ 192,737	$ -	$ 192,737

The following summarizes the ending loan receivable balances individually and collectively evaluated for impairment, as well as the allowance for loan loss allocation for each at March 31, 2012.

	Ending Loan Balance			Allowance for Loan Losses		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
Commercial loans	$25,462,115	$ -	$25,462,115	$ 192,737	$ -	$ 192,737

There were no impaired loans at March 31, 2013 or 2012.

10. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2013 was as follows:

	Balance April 1, 2012	Additions	Transfers	Disposals	Balance March 31, 2013
Land	$ 1,598,124	$ 22,100	$ -	$ -	$ 1,620,224
Construction-in-progress	13,007,790	10,952,862	(7,110,517)	-	16,850,135
Total non-depreciable assets	$ 14,605,914	$ 10,974,962	$ (7,110,517)	$ -	$ 18,470,359
Construction:					
Solid Waste Management Facility	$ 53,784,372	$ 1,474,895	$ 6,839,681	$ -	$ 62,098,948
Water Quality	35,336,300	218,713	-	-	35,555,013
Telecommunications Network	16,245,029	1,459,700	252,840	-	17,957,569
General and administrative	59,992	-	-	-	59,992
Equipment:					
Solid Waste Management Facility	5,845,593	1,411,534	-	-	7,257,127
Water Quality	695,885	24,954	-	-	720,839
Telecommunications Network	6,374,346	338,858	-	-	6,713,204
General and administrative	228,143	158,916	17,996	-	405,055
Vehicles:					
Solid Waste Management Facility	607,204	-	-	(11,866)	595,338
Water Quality	41,922	-	-	-	41,922
General and administrative	326,630	19,856	-	-	346,486
Leasehold improvements:					
Telecommunications Network	45,162	-	-	-	45,162
General and administrative	30,119	-	-	-	30,119
Total at cost	119,620,697	5,107,426	7,110,517	(11,866)	131,826,774
Less: Accumulated depreciation and amortization for:					
Construction	(61,887,917)	(4,431,938)	-	-	(66,319,855)
Equipment	(9,815,186)	(1,065,549)	-	-	(10,880,735)
Vehicles	(732,527)	(73,542)	-	11,866	(794,203)
Leasehold improvements	(56,253)	(4,127)	-	-	(60,380)
Total accumulated depreciation and amortization	(72,491,883)	(5,575,156)	-	11,866	(78,055,173)
Total depreciable assets - net	$ 47,128,814	$ (467,730)	$ 7,110,517	$ -	$ 53,771,601
Total capital assets – net	$ 61,734,728	$ 10,507,232	$ -	$ -	$ 72,241,960

10. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended March 31, 2012 was as follows:

	Balance April 1, 2011	Additions	Transfers	Disposals	Balance March 31, 2012
Land	$ 1,598,124	$ -	$ -	$ -	$ 1,598,124
Construction-in-progress	5,811,556	12,476,137	(5,279,903)	-	13,007,790
Total non-depreciable assets	$ 7,409,680	$ 12,476,137	$ (5,279,903)	$ -	$ 14,605,914
Construction:					
Solid Waste Management Facility	$ 52,983,817	$ 9,081	$ 791,474	$ -	$ 53,784,372
Water Quality	32,835,519	-	2,500,781	-	35,336,300
Telecommunications Network	16,154,756	-	90,273	-	16,245,029
General and administrative	59,992	-	-	-	59,992
Equipment:					
Solid Waste Management Facility	5,266,246	-	579,347	-	5,845,593
Water Quality	655,990	-	39,895	-	695,885
Telecommunications Network	5,154,610	10,530	1,209,206	-	6,374,346
General and administrative	178,239	-	49,904	-	228,143
Vehicles:					
Solid Waste Management Facility	607,204	-	-	-	607,204
Water Quality	41,922	-	-	-	41,922
General and administrative	227,411	99,219	-	-	326,630
Leasehold improvements:					
Telecommunications Network	26,139	-	19,023	-	45,162
General and administrative	30,119	-	-	-	30,119
Total at cost	114,221,964	118,830	5,279,903	-	119,620,697
Less: Accumulated depreciation and amortization for:					
Construction	(57,652,581)	(4,235,336)	-	-	(61,887,917)
Equipment	(8,869,065)	(946,121)	-	-	(9,815,186)
Vehicles	(663,908)	(68,619)	-	-	(732,527)
Leasehold improvements	(52,059)	(4,194)	-	-	(56,253)
Total accumulated depreciation and amortization	(67,237,613)	(5,254,270)	-	-	(72,491,883)
Total depreciable assets - net	$ 46,984,351	$ (5,135,440)	$ 5,279,903	$ -	$ 47,128,814
Total capital assets - net	$ 54,394,031	$ 7,340,697	$ -	$ -	$ 61,734,728

Depreciation and amortization expense was $5,575,156 and $5,254,270 for the years ended March 31, 2013 and 2012, respectively.

11. FINANCING ARRANGEMENTS

Revenue Bonds

During fiscal year 1996, the Authority issued $14,950,075 of Series 1995A revenue refunding bonds and used $505,000 of unused project funds to refund a portion of the Series 1992A revenue bonds payable for the Solid Waste Management Facility. Principal and interest over the term of the retired debt totaled $24,597,989, while the principal and interest over the term of the refunding debt totals $21,444,180. The overall net effect of this transaction is a savings to the Authority of $3,153,809. The difference between the reacquisition price and the net carrying amount of the refunded bonds in the amount of $1,041,074 has been deferred and is being amortized over the term of the new bonds using the straight-line method in accordance with generally accepted accounting principles.

During fiscal year 1998, the Authority issued $11,125,000 of Series 1997 revenue refunding bonds to refund the remaining balance outstanding on the Series 1992A revenue bonds payable for the Solid Waste Management Facility. Principal and interest over the term of the retired debt totaled $19,599,563, while the principal and interest over the term of the refunding debt totals $17,574,563. The overall net effect of this transaction is a savings to the Authority of $2,025,000. The difference between the reacquisition price and the net carrying amount of the refunded bonds in the amount of $805,766 has been deferred and is being amortized over the term of the new bonds using the straight-line method in accordance with generally accepted accounting principles.

During fiscal year 2005, the New York State Environmental Facilities Corporation refunded the remaining $13,330,000 of the Authority's Series 1995A bonds with Series 2005D revenue refunding bonds. Principal and interest over the term of the retired debt totaled $16,193,252, while the principal and interest over the term of the refunding debt totals $15,542,333. The overall net effect of this transaction is a savings to the Authority of $650,919. There was no difference between the reacquisition price and the net carrying amount of the refunded bonds, and these bonds will be retired according to the Series 1995A maturity schedule.

During fiscal year 2011, the New York State Environmental Facilities Corporation refunded the remaining $3,185,000 of the Authority's Series 1998 bonds with Series 2010C revenue refunding bonds. Principal and interest over the term of the retired debt was $8,260,111, while the principal and interest over the term of the refunding debt totals $7,982,817. The overall net effect of this transaction is a savings to the Authority of $277,294. There was no difference between the reacquisition price and the net carrying amount of the refunding bonds, and these bonds will be retired according to the Series 1998 maturity schedule.

Long-term debt revenue bond activity for the year ended March 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Series 1997 revenue refunding bonds maturing in annual amounts ranging from $820,000 to $950,000 from 2013 to 2016 bearing interest at 6.00%.	$ 3,445,000	$ -	$ (775,000)	$ (820,000)	$ 1,850,000
Series 1995A / 2005D revenue refunding bonds maturing in annual amounts ranging from $1,470,000 to $1,520,000 from 2013 to 2016 bearing interest ranging from 3.60% to 4.67%.	5,875,000	-	(1,410,000)	(1,470,000)	2,995,000

11. FINANCING ARRANGEMENTS (Continued)

Revenue Bonds (Continued)

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Series 1998 / 2010C revenue refunding bonds maturing in annual amounts ranging from $320,000 to $395,000 from 2013 to 2020 bearing interest ranging from 1.58% to 3.38%.	2,775,000	-	(310,000)	(320,000)	2,145,000
Add: Unamortized bond premium	123,515	-	(21,733)	-	101,782
Add: Deferred loss on refunding	(176,295)	176,295	-	-	-
Long-term revenue bond liabilities	$ 12,042,220	$ 176,295	$ (2,516,733)	$ (2,610,000)	$ 7,091,782

Long-term debt revenue bond activity for the year ended March 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Series 1997 revenue refunding bonds maturing in annual amounts ranging from $775,000 to $950,000 from 2013 to 2016 bearing interest at 6.00%.	$ 4,175,000	$ -	$ (730,000)	$ (775,000)	$ 2,670,000
Series 1995A / 2005D revenue refunding bonds maturing in annual amounts ranging from $1,410,000 to $1,520,000 from 2013 to 2016 bearing interest ranging from 3.60% to 4.67%.	7,230,000	-	(1,355,000)	(1,410,000)	4,465,000
Series 1998 / 2010C revenue refunding bonds maturing in annual amounts ranging from $310,000 to $395,000 from 2013 to 2020 bearing interest ranging from 1.24% to 3.38%.	3,075,411	-	(300,411)	(310,000)	2,465,000
Add: Unamortized bond premium	145,248	-	(21,733)	-	123,515
Add: Deferred loss on refunding	(341,544)	165,249	-	-	(176,295)
Long-term revenue bond liabilities	$ 14,284,115	$ 165,249	$ (2,407,144)	$ (2,495,000)	$ 9,547,220

Loans and Contract Payable

In 2007, the Authority entered into a loan payable with Key Bank for $3,250,000 with interest at 65% of the adjusted LIBOR rate, which is defined as LIBOR plus 1.15%. In order to reduce the impact of changes in interest rates on this loan the Authority entered into an interest rate swap contract (the Swap). The Swap qualifies as a cash flow hedge under generally accepted accounting principles. As such, the Authority has assumed no ineffectiveness in the Swap due to the fact that, among other things, the notional amount of the Swap matches the principal amount of the related debt, the variable rate that the Authority receives under the Swap matches the variable rate of the related debt and the maturity date of the Swap matches the maturity date of the related debt. The notional amount of the Swap was $1,339,913 and $1,682,018 at March 31, 2013 and 2012, respectively. The fair value of the Swap is recorded as a deferred outflow and a liability in the accompanying Statement of Net Position. The swap liability was $88,445 and $129,378 at March 31, 2013 and 2012, respectively. The liability will never be realized as long as the underlying payments are made in accordance with the terms of the existing debt agreement and the swap contract remains in place until maturity.

11. FINANCING ARRANGEMENTS (Continued)

Loans and Contract Payable (Continued)

Loans and contract payable activity for the year ended March 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Unsecured loan payable to the State of New York in annual payments of $50,000 through March 2040. This loan does not bear interest.	$ 1,364,000	$ -	$ (50,000)	$ (50,000)	$ 1,264,000
Loan payable to Key Bank requiring monthly payments of principal at $28,509 and interest at 65% of the adjusted LIBOR rate, which is defined as LIBOR plus 1.15% (2.03% at March 31, 2013) are required through February 2017. The revenues derived from the Authority's wastewater line secure this loan.	1,682,018	-	(342,105)	(342,105)	997,808
Loan payable to the U.S. Department of Agriculture Rural Development in annual payments of $91,104, including interest at 4.50% through April 2036. The Authority's regional waterline assets secure this loan.	1,320,092	-	(31,700)	(33,126)	1,255,266
Loan payable to M&T Bank in monthly payments of principal at $45,833 and interest at 65% of the prime rate (2.11% at March 31, 2013) through March 2015. The Authority's telecommunications network assets secure this loan.	1,650,000	-	(550,000)	(550,000)	550,000
Note payable to NYS Housing Trust Fund. Principal is due in full on December 31, 2038 and is only payable upon loan repayment from ultimate loan recipient. This note does not bear interest. Funds were used to make an economic development loan.	600,000	-	-	-	600,000
Term loan payable to Key Bank requiring monthly payments of principal at $43,940 and interest at 2.11% through March 2016. Revenues derived from certain utilities service contracts secure this loan.	2,021,007	-	(489,316)	(499,742)	1,031,949
Loan and contract repaid in 2013	582,296	-	(582,296)	-	-
Loans and contract payable	$ 9,219,413	$ -	$ (2,045,417)	$ (1,474,973)	$ 5,699,023

11. FINANCING ARRANGEMENTS (Continued)

Loans and Contract Payable (Continued)

Loans and contract payable activity for the year ended March 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Unsecured loan payable to the State of New York in annual payments of $50,000 through March 2040. This loan does not bear interest.	$ 1,414,000	$ -	$ (50,000)	$ (50,000)	$ 1,314,000
Contract payable in annual payments of $33,482, including interest at 5% through December 2012. This contract is secured by land that the solid waste management facility is located on.	62,257	-	(30,368)	(31,889)	-
Loan payable to Key Bank requiring monthly payments of principal at $28,509 and interest at 65% of the adjusted LIBOR rate, which is defined as LIBOR plus 1.15% (2.03% at March 31, 2013) are required through February 2017. The revenues derived from the Authority's wastewater line secure this loan.	2,024,123	-	(342,105)	(342,105)	1,339,913
Loan payable to the U.S. Department of Agriculture Rural Development in annual payments of $91,104, including interest at 4.50% through April 2036. The Authority's regional waterline assets secure this loan.	1,350,428	-	(30,336)	(31,700)	1,288,392
Loan payable to M&T Bank in monthly payments of principal at $45,833 and interest at 65% of the prime rate (2.11% at March 31, 2013) through March 2015. The Authority's telecommunications network assets secure this loan.	2,200,000	-	(550,000)	(550,000)	1,100,000
Unsecured note payable in monthly payments of $14,065, including interest at 4% through October 2015.	694,045	-	(143,638)	(149,490)	400,917
Note payable to NYS Housing Trust Fund. Principal is due in full on December 31, 2038 and is only payable upon loan repayment from ultimate loan recipient. This note does not bear interest. Funds were used to make an economic development loan.	600,000	-	-	-	600,000
Term loan payable to Key Bank requiring monthly payments of principal at $43,940 and interest at 2.11% through March 2016. Revenues derived from certain utilities service contracts secure this loan.	2,500,000	-	(478,993)	(489,317)	1,531,690
Loans and contract payable	$ 10,844,853	$ -	$ (1,625,440)	$ (1,644,501)	$ 7,574,912

11. FINANCING ARRANGEMENTS (Continued)

Loans and Contract Payable (Continued)

The future minimum payments for the Authority's financing arrangements are as follows as of March 31, 2013:

	Principal	Interest	Total
2014	$ 4,084,973	$ 543,922	$ 4,628,895
2015	4,237,111	374,618	4,611,729
2016	3,714,839	198,729	3,913,568
2017	751,401	104,852	856,253
2018	449,504	87,139	536,643
2019 - 2023	1,240,839	267,988	1,508,827
2024 - 2028	531,435	174,085	705,520
2029 - 2033	600,721	104,799	705,520
2034 - 2038	499,173	22,692	521,865
2039 - 2041	664,000	-	664,000
	$ 16,773,996	$ 1,878,824	$ 18,652,820

Covenants

As part of the Authority's loan agreement with Key Bank it must maintain a minimum debt service coverage ratio of 1.0 to 1.0 for all revenue derived from the wastewater line activities. The Authority was in compliance with this covenant at March 31, 2013 and 2012.

As part of the Authority's loan agreement with M&T Bank it must maintain a minimum debt service coverage ratio of 1.0 to 1.0 for all revenue derived from telecommunications activities. The Authority was in compliance with this covenant at March 31, 2013 and 2012.

Interest Paid

Interest paid on all financing arrangements during 2013 and 2012 was $605,868 and $797,135, respectively.

12. COMMITMENTS AND CONTINGENCIES

Commitments

The Authority modified its lease with the New York State Office of General Services, which is effective November 1, 2012. The modification provides for increased office space and extends the term of the lease until March 31, 2015. Under the terms of the modified lease, quarterly payments of $22,646 are required through March 31, 2015. Amounts due under this commitment are as follows for the years ending March 31:

2014	$ 90,584
2015	90,584
	$ 181,168

Total rental expense charged to operations amounted to $92,322 and $81,300 during the years ended March 31, 2013 and 2012, respectively.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

Several years ago, the Authority installed a voluntary flare system at the Solid Waste Management Facility, which burns off methane gas. This flare system has created carbon credits that may be sold on a public market. Revenue from the sale of these credits is recorded when the credits are sold. In 2012, the Authority recognized income from the sale of carbon credits of approximately $435,000. Carbon credit revenue is recorded in other revenue in the accompanying financial statements. 2012 was the final year for the sale of these credits.

13. LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require the Authority to place a final cover on its Solid Waste Management Facility landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure costs are incurred in phases as needed and post-closure care costs will be paid near or after the date that the landfill stops accepting waste. The Authority reports a portion of these closure and post-closure care costs as a liability in each period based on landfill capacity used as of the balance sheet date. The $14,040,744 reported as landfill closure and post-closure care liability at March 31, 2013 represents the cumulative amount reported to date based on the use of 63% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated cost of closure and post-closure care of approximately $8,246,000 as the remaining estimated capacity is filled. These amounts are based on what it is estimated it would cost to perform all closure and post-closure care through 2055. The Authority expects to close the currently permitted landfill in 2025. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The Authority is in compliance with these requirements, and, at March 31, 2013, investments of $13,418,687 are held for these purposes. These investments are reported in restricted assets on the Statement of Net Position. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

Liner Expansion and Replacement

The Authority charges various tipping fees depending on the type of waste accepted at the Solid Waste Management Facility (the Facility). Included in the tipping fee are charges per ton for liner expansion and replacement of the Facility's equipment. The Authority considers the funds collected from these fees as restricted net assets as the facility needs to expand the liner and replace capital assets in order to meet the future revenue bonds debt service payments. In 2013 and 2012, tipping fees of approximately $222,400 and $487,500, respectively were set aside for liner expansion and replacement. These charges have been recorded as revenue in the accompanying Statement of Revenue, Expenses and Change in Net Position and in restricted net position in the accompanying Statement of Net Position. As funds are expended for their specific purpose they are reclassified to capital assets.

14. SOLID WASTE MANAGEMENT FACILITY (Continued)

Interest Income

The Authority has set aside funds in order to meet the future financial obligations of the Facility including closure and post-closure costs, liner expansion and replacement and debt repayments. Interest earned on these funds is recorded as revenue in the accompanying Statement of Revenue, Expenses and Change in Net Position and amounted to approximately $535,500 and $613,700 in 2013 and 2012, respectively.

15. PENSION PLAN

New York State and Local Employees' Retirement System Plan Description

Generally all of the Authority's employees (excluding part-time employees) participate in the New York State and Local Employees' Retirement System (the System). The System is a cost-sharing multiple-employer retirement system. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Governor Alfred E. Smith Office Building, Albany, New York, 12244.

Total projected payroll for the Authority's employees covered by the System for the plan fiscal year ended March 31, 2013 was approximately $3,621,721.

Funding Policy

Employee contributions to the System are based on the date in which the employee became a member. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

2013	2012	2011
$ 649,000	$ 505,000	$ 337,000

The Authority paid 100% of the required contributions for the years ended March 31, 2013, 2012 and 2011.

Effective May 14, 2003, the System requires a minimum employer contribution of 4.5% annually of the System's fund value at April 1 of the previous fiscal year. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ended March 31, 2013 (which otherwise were to have been paid on December 15, 2005) over a 5-year period, with a 7.00% interest factor added. Local governments were given the option to prepay this liability. The Authority elected to make the full payment.

16. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Authority provides for postretirement medical benefits to retiring employees after 15 years of service. Employees hired on or after April 1, 2008 will be required to complete 20 years of service. When a retiree reaches age 65, Medicare will provide primary coverage, except as otherwise provided by law. The Plan can be amended by action of the Authority and its Board of Directors. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The Plan has 62 participants, five of whom are retired.

Funding Policy

As of the date of these financial statements, New York State did not yet have legislation that would enable government entities to establish a Governmental Accounting Standards Board (GASB) qualifying trust for the purpose of funding OPEB benefits. For this reason the Authority has not funded its OPEB benefits. However, the Authority did, by Board resolution, establish a designated money market fund for this purpose. As of March 31, 2013, this account had a market value of $2,397,577. Pending such legislation, the Authority intends to transfer these funds into a qualifying OPEB reserve fund.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation:

Annual required contribution	$ 443,665
Interest on net OPEB obligation	64,378
Adjustment to ARC	(63,961)
Annual OPEB cost	444,082
Contributions made	(25,299)
Increase in net OPEB obligation	418,783
Net OPEB obligation - beginning of year	1,609,455
Net OPEB obligation - end of year	$ 2,028,238

Percentage of Annual OPEB Cost

Contributed 5.0%

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Accrued Liability (AAL) at March 31, 2013	$ 3,167,367
Covered payroll	$ 3,773,859
Ratio of unfunded AAL to covered payroll	83.9%

16. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2013 actuarial valuation, the following methods and assumptions were used:

Actuarial Cost Method	Entry Age Actuarial Accrued Liability Cost Method
Discount Rate	4.0%
Medical Care Cost Trend Rate	5.0% blended rate
Unfunded Actuarial Accrued Liability (AAL)	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

Schedule of Funding Progress

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
March 31, 2013	$ -	$ 3,167,367	$ 3,167,367	0.0%	$ 3,773,859	83.9%
March 31, 2010	$ -	$ 2,393,349	$ 2,393,349	0.0%	$ 2,609,714	91.7%

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

SUPPLEMENTAL SCHEDULE OF REVENUE, EXPENSES AND CHANGE IN NET POSITION BY DEPARTMENT
FOR THE YEAR ENDED MARCH 31, 2013

	General and Administration	Solid Waste Management Facility	Water and Waste Water Operations	Telecommunications Network	Housing and Economic Development	Total
OPERATING REVENUE:						
Customer billings	$ 87,990	$ 8,274,628	$ 5,527,700	$ 5,652,896	$ 4,945	$ 19,548,159
Grant revenue	49,499	29,074	-	7,537,207	3,047,285	10,663,065
Loan interest income	-	-	-	-	568,406	568,406
Other revenue	75,172	1,029,052	1,772	17,298	60,653	1,183,947
Total operating revenues	212,661	9,332,754	5,529,472	13,207,401	3,681,289	31,963,577
OPERATING EXPENSES:						
Depreciation and amortization	90,714	3,299,750	746,121	1,416,838	-	5,553,423
Salaries	115,105	1,371,133	1,209,610	1,011,646	174,277	3,881,771
Fringe benefits	95,367	758,032	603,364	367,578	80,748	1,905,089
Operation and maintenance	10,976	947,042	161,326	664,990	5,000	1,789,334
Wastewater treatment	-	229,174	738,088	-	-	967,262
Community benefits	-	711,093	-	-	-	711,093
Water purchases	-	-	910,178	-	-	910,178
Closure and post-closure costs	-	633,338	-	-	-	633,338
Office and administrative	131,284	162,794	79,663	147,158	6,787	527,686
Insurance	10,739	104,805	58,579	49,831	-	223,954
Utilities	-	62,979	117,470	-	-	180,449
Professional fees	62,735	37,080	23,880	8,543	27,714	159,952
Automobile	1,292	2,814	140,033	56,034	-	200,173
Materials and supplies	-	148,200	-	-	-	148,200
NYS administrative assessment	-	51,330	35,783	34,697	-	121,810
Repairs and maintenance	-	24,596	70,725	-	-	95,321
Computer	65,243	24,707	30,882	24,375	-	145,207
Bad debt	-	-	-	4,858	-	4,858
Administrative allocation	(297,969)	114,567	17,627	97,049	68,726	-
Total operating expenses	285,486	8,683,434	4,943,329	3,883,597	363,252	18,159,098
Total operating income	(72,825)	649,320	586,143	9,323,804	3,318,037	13,804,479
NON-OPERATING REVENUE (EXPENSE):						
Interest income	119,387	579,563	46,354	69,941	24,955	840,200
Amortization of refunding loss	-	(176,295)	-	-	-	(176,295)
Interest expense	-	(356,571)	(177,482)	(29,975)	-	(564,028)
Total non-operating revenue and expense	119,387	46,697	(131,128)	39,966	24,955	99,877
CHANGE IN NET POSITION	$ 46,562	$ 696,017	$ 455,015	$ 9,363,770	$ 3,342,992	$ 13,904,356

The accompanying notes are an integral part of these schedules.

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2013

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Passed through Jefferson County:		
Home Investment Partnerships Program	14.239	$ 1,288,226
U.S. DEPARTMENT OF COMMERCE:		
Passed through ION NewCorp:		
Broadband Technology Opportunity Program	11.557	7,537,207
U.S. DEPARTMENT OF DEFENSE:		
Community Economic Adjustment Planning Assistance	12.607	47,285
Total federal expenditures		$ 8,872,718

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

General
The schedule of expenditures of federal awards presents the activity of all federal award programs of Development Authority of the North Country. The schedule includes expenditures of federal programs received directly from federal agencies, as well as federal assistance passed through other organizations.

Basis of Accounting
The accompanying schedule of expenditures of federal awards has been prepared in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.*

The accompanying notes are an integral part of these schedules.

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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*

June 25, 2013

To the Board of Directors of
Development Authority of the North Country:

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 business-type activities of Development Authority of the North Country (the Authority), a public benefit corporation of the State of New York, as of and for the year ended March 31, 2013 which comprise the statement of net position as of March 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 25, 2013.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

(Continued)

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*
(Continued)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Authority'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

June 25, 2013

To the Board of Directors of
Development Authority of the North Country:

Report on Compliance for Each Major Federal Program
We have audited Development Authority of the North Country's (the Authority), a public benefit corporation of the State of New York, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal program for the year ended March 31, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Opinion on Each Major Federal Program
In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2013.

Report on Internal Control Over Compliance
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Development Authority of the North Country (the Authority).

2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of the Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report for Each Major Program, Report on Internal Control Over Compliance.

5. The independent auditor's report on compliance for the major federal award programs for the Authority expresses an unmodified opinion.

6. There are no audit findings relative to the major federal award programs for the Authority.

7. The programs tested as major programs were as follows:

   - Broadband Technology Opportunity Program, CFDA #11.557
   - Home Investment Partnership Program, CFDA #14.239

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The Authority was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. SUMMARY OF PRIOR YEAR FINDINGS

None