DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

Financial Statements as of
March 31, 2014
Together with
Independent Auditor's Report
and Single Audit Reports

Bonadio & Co., LLP
Certified Public Accountants

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

TABLE OF CONTENTS

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

June 19, 2014

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, 2014, 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, 2014, 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.

115 Solar Street, Suite 100
Syracuse, New York 13204
p (315) 214-7575
f (315) 471-2128

www.bonadio.com

(Continued)

ALBANY • BATAVIA • BUFFALO • EAST AURORA • GENEVA • NYC • ROCHESTER • RUTLAND, VT • SYRACUSE • UTICA

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 2013 financial statements, and in our report dated June 25, 2013, 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, 2013, 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 19, 2014 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'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. 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, 2014. 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, 2014, the assets of the Authority exceeded its liabilities by $162,149,512. Of this amount, $7,096,269 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, closure and post closure care of the landfill. Tipping fees revenue (included in customer billings) increased during the current year from $8,274,628 for the 2013 fiscal year to $8,366,018 for the 2014 fiscal year. The change was primarily a result of an increase in tipping fees charged.
- 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 $1,009,649 for the 2013 fiscal year to $1,382,463 for the 2014 fiscal year. The increase was primarily a result of favorable change in market conditions, which increased the value of renewable energy credits and energy generated.
- 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 into the Solid Waste Management Facility and will prolong the useful life of the Solid Waste Management Facility. Additionally, as an incentive to recycle, the Authority rebated its partners tipping fees of $175,000 in 2014.
- 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 was $2,341,579 for 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. With completion of the Broadband Stimulus Project, the telecommunications network consists of over 1,000 miles of fiber network and includes 19 Central Office locations.

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

	2014	2013	Change	% Change
Operating revenue	$ 31,422,788	$ 31,963,577	$ (540,789)	(1.7%)
Operating expenses	(21,713,282)	(18,159,098)	(3,554,184)	(19.6%)
Operating income	9,709,506	13,804,479	(4,094,973)	(29.7%)
Non-operating revenue, net	(676,144)	99,877	(776,021)	(777.0%)
Change in net position	$ 9,033,362	$ 13,904,356	$ (4,870,994)	(35.0%)

- The 1.7% decrease in operating revenue is primarily due to a decrease in Federal grants earned in 2014. The Authority earned approximately $2,342,000 and $7,537,000 in 2014 and 2013, respectively in ARRA Federal Stimulus funding for expansion of the Telecommunications fiber network. This was partially offset by a $4,000,000 grant from Empire State Development that was received in 2014. The funds were deposited into the Authority's housing revolving loan fund.
- The change in operating expenses of $3,554,184 is primarily due to an increase in depreciation expense of $2,659,002.
- The decrease in net non-operating revenue is primarily due to a decrease in investment income of approximately $1,105,000 with current year market conditions and the requirement for the Authority to record investments at market value. Investment income decreased from $840,200 to ($265,244), for 2013 and 2014, respectively. 2014 investment income includes a change in market value of investments of ($1,152,872), which is the amount of loss that would be recognized if the Authority were to liquidate all investments as of the statement date. The loss will never be realized as long as the investments are held to maturity. This significant decrease was offset by a decrease of approximately $153,000 in interest expense due to the pay down of outstanding debt and a decrease of approximately $176,000 in amortization of refunding loss.

Financial Position Summary

Net position is an indication of the Authority's financial strength. The Authority's net position increased by $9,033,362 during fiscal 2014 to $162,149,512 at March 31, 2014. A summary of the Authority's net position is shown below.

	2014	2013	Change	% Change
ASSETS:				
Current assets	$ 19,807,604	$ 22,975,296	$ (3,167,692)	(13.8%)
Loans receivable, net	31,808,943	26,225,575	5,583,368	21.3%
Investments	26,135,143	26,517,188	(382,045)	(1.4%)
Funds held by trustee	2,631,062	2,623,071	7,991	0.3%
Other postemployment benefit reserve fund	2,813,816	2,397,577	416,239	17.4%
Restricted assets	40,098,134	38,211,234	1,886,900	4.9%
Capital assets, net	73,770,051	72,241,960	1,528,091	2.1%
Total assets	$ 197,064,753	$ 191,191,901	$ 5,872,852	3.1%
DEFERRED OUTFLOWS	$ 48,780	$ 88,445	$ (39,665)	(44.8%)
LIABILITIES:				
Current liabilities	$ 8,056,208	$ 6,861,837	$ 1,194,371	17.4%
Other liabilities (long-term)	26,907,813	31,302,359	(4,394,546)	(14.0%)
Total liabilities	$ 34,964,021	$ 38,164,196	$ (3,200,175)	(8.4%)
NET POSITION:				
Invested in capital assets, net of related debt	$ 63,414,978	$ 57,280,182	$ 6,134,797	10.7%
Restricted	47,167,544	46,074,105	1,093,439	2.4%
Unrestricted	51,566,990	49,761,863	1,805,126	3.6%
Total net position	$ 162,149,512	$ 153,116,150	$ 9,033,362	5.9%

- The 13.8% decrease in current assets is primarily due to a decrease in cash and cash equivalents as additional amounts were loaned to business to support economic development. Additionally, accounts receivable decreased approximately $1,035,000 due to ARRA Federal Stimulus grant being completed in 2014.
- Other postemployment benefit reserve fund assets increased by $416,239 or 17.4% with additional funding and interest earnings.
- Loans receivable increased $5,583,368 or 21.3% with additional loans made to support economic development in the North Country.
- Restricted assets increased $1,886,900 or 4.9% which was primarily the result of additional funding for telecommunications with the continued expansion of the network.
- Current liabilities increased $1,194,371 or 17.4% with an increase in payables primarily relating to the ACTION program payments due to vendors as a pass-through.
- Other liabilities (long-term) decreased $4,394,546 or 14.0% with the pay down of the Authority's debt.
- Invested in capital assets, net of related debt increased by $6,134,797 or 10.7% due to capital project construction authorized by the Board. Significant capital outlays were made for 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, 2014, the board of directors designated the Authority's unrestricted net position for the following uses:

Supplemental insurance reserves	$	7,000,000
Community rental housing		4,000,000
Infrastructure development		323,108
Capital reserves		18,463,321
Solid waste - tip fee stabilization, carbon credit, recycling and landfill gas reserves		3,147,390
Other postemployment benefits reserve		347,753
Community development loan fund		8,189,149
Affordable housing		3,000,000
	$	44,470,721

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

	2014	2013	Change	% Change
Service and usage revenue:				
Solid Waste Management Facility	$ 8,366,018	$ 8,274,628	$ 91,390	1.1%
Water Quality operations	6,423,870	5,527,700	896,170	16.2%
Telecommunications network	6,356,312	5,652,896	703,416	12.4%
Housing and economic development	4,945	4,945	-	-
Administrative contracts	132,398	87,990	44,408	50.5%
Total service and usage revenue	21,283,543	19,548,159	1,735,384	8.9%
Grants from government sources	8,091,313	10,663,065	(2,571,752)	(24.1%)
Interest received from outstanding loans	504,468	568,406	(63,938)	(11.2%)
Miscellaneous operating revenue	1,543,464	1,183,947	359,517	30.4%
Total operating revenue	$ 31,422,788	$ 31,963,577	$ (540,789)	(1.7%)

- Solid Waste Management Facility revenues increased $91,390 or 1.1%. The increase was a result of an increase in tipping fee rates that was offset by a decrease in tonnage received at the facility from approximately 222,000 tons in 2013 to 202,000 tons in 2014.
- Water Quality revenues increased $896,170 or 16.2%, which was due to an increase in water and wastewater rates charged on the Army Water and Sewer lines and additional Water Quality contracts for technical services.
- Telecommunications network revenues increased $703,416 or 12.4% due to expansion and new contracts, as well as additional services to existing customers.
- Administrative contract revenue increased $44,408 or 50.5% due to additional contracts for shared services.

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:

	2014	2013	Change	% Change
Functional expenses:				
Solid Waste Management Facility	$10,149,570	$ 8,683,434	$ 1,466,136	16.9%
Water Quality	5,264,302	4,943,329	320,973	6.5%
Telecommunications network	5,530,430	3,883,597	1,646,833	42.4%
Housing and economic development	366,028	363,252	2,776	0.8%
Administration	402,952	285,486	117,466	41.1%
Total functional expenses	$21,713,282	$18,159,098	$ 3,554,184	19.6%

Summary of Operating Expenses (Continued)

- Solid Waste Management Facility expenses increased $1,466,136 or 16.9%. This increase was primarily due to an increase in depreciation expense with significant additions in the past three years.
- Water Quality expenses increased $320,973 or 6.5%. This was mainly due to an increase in salaries and fringe benefits with the hiring of a General Manager and the addition of a full-time GIS technician.
- Telecommunication network expenses increased $1,646,833 or 42.4%. This increase was primarily due to an increase in depreciation expense with significant additions in the past year and an increase in operation and maintenance costs with the expansion of the network.
- Administrative expenses increased $117,466 with an increase in computer expenses and professional fees.

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

	2014	2013	Change	% Change
Operating expenses:				
Depreciation and amortization	$ 8,212,425	$ 5,553,423	$ 2,659,002	47.9%
Salaries and fringe benefits	6,370,099	5,786,860	583,239	10.1%
Wastewater treatment	1,011,592	967,262	44,330	4.6%
Community benefits	725,987	711,093	14,894	2.1%
Water purchases	903,168	910,178	(7,010)	(0.8%)
Operating and maintenance	3,548,149	3,298,975	249,174	7.6%
General and administrative	335,871	297,969	37,902	12.7%
Closure and post-closure costs	605,991	633,338	(27,347)	(4.3%)
Total operating expenses	$21,713,282	$18,159,098	$ 3,554,184	19.6%

- Total operating expenses increased $3,554,184 or 19.6%.
- Depreciation and amortization expense increased $2,659,002 or 47.9%. This increase is due to significant capital additions in the operating divisions of the Authority.
- Salaries and fringe benefits were $6,370,099 for 2014 as compared to $5,786,860 in 2013, which is the result of new positions authorized, salary adjustments, and increased fringe benefit costs.
- Wastewater treatment costs increased $44,330 or 4.6% due to an increase in leachate costs and an increase in flows on the Army Sewer Line.
- Operating and maintenance increased by $249,174 or 7.6%. The increase mainly relates to an increase in office and computer expenses.
- Closure and post-closure costs decreased $27,347 or (4.3%), due to a change in the estimated future liability and a decrease in tonnage delivered to the site.

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

	2014	2013	Change	% Change
Non-operating revenue (expense):				
Investment income	$ (265,244)	$ 840,200	$ (1,105,444)	(131.6%)
Amortization of refunding loss	-	(176,295)	176,295	100%
Interest expense	(410,900)	(564,028)	153,128	27.1%
Total	$ (676,144)	$ 99,877	$ (776,021)	(777.0%)

- Investment income decreased $1,105,444 due to declines in interest rates received and market adjustments on reserve accounts.
- Interest expense decreased $153,128 or 27.1% due to principal payments made on long-term debt.

Postemployment Benefits
The Authority covers 85% 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 $2,475,940. The Authority has a board designated money market account in the amount of $2,813,816 for other postemployment benefits.

Capital Assets
At the end of 2014, the Authority had $73,770,051 (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 $1,528,091 or 2.1% over last year. The detail of capital asset activity and balances for the various categories is included in note 9 to the financial statements.

Long-Term Debt Administration
As of March 31, 2014, the Authority has three revenue bond series outstanding totaling $6,990,000.

Development Authority of the North Country Bond Series	Bonds Outstanding as of March 2014	Bonds Outstanding as of March 2013	Principal Due 2015
Series 1997	$ 1,850,000	$ 2,670,000	$ 900,000
Series 1995/2005D	2,995,000	4,465,000	1,520,000
Series 2010C	2,145,000	2,465,000	330,000
Total	$ 6,990,000	$ 9,600,000	$ 2,750,000

In addition to the bonds, the Authority had $5,149,024 of loans payable as of March 31, 2014.

Loans, Contract and Capital Lease Payables	Outstanding as of March 2014	Outstanding as of March 2013	Principal Due 2015
Loans payable	$ 5,149,024	$ 7,173,996	$ 937,111

In total the Authority's debt decreased by $4,656,705 or 27.6%, which was the result of the Authority making principal payments of $4,634,973 and the amortization of $21,733 on the bond premium. There were no additional borrowings in 2014.

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, 2014
(With Comparative Totals for 2013)

	2014	2013
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,363,907	$ 19,612,161
Accounts receivable	1,566,520	2,602,006
Accrued unbilled revenue	398,997	390,113
Interest receivable	102,322	120,496
Inventory	26,171	29,484
Prepaid expense and other assets	349,687	221,036
Total current assets	19,807,604	22,975,296
LOANS RECEIVABLE, net	31,808,943	26,225,575
INVESTMENTS	26,135,143	26,517,188
FUNDS HELD BY TRUSTEE	2,631,062	2,623,071
OTHER POSTEMPLOYMENT BENEFIT RESERVE FUND	2,813,816	2,397,577
RESTRICTED ASSETS	40,098,134	38,211,234
CAPITAL ASSETS, net	73,770,051	72,241,960
Total assets	197,064,753	191,191,901
DEFERRED OUTFLOWS		
Accumulated decrease in fair value of swap contract	48,780	88,445
Total deferred outflows	48,780	88,445
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	3,264,195	2,144,967
Current portion of long-term debt	3,687,112	4,084,973
Accrued expenses	443,969	381,850
Interest payable	108,340	152,718
Current portion of unearned revenue	552,592	97,329
Total current liabilities	8,056,208	6,861,837
DUE TO U.S. ARMY	749,985	749,985
UNEARNED REVENUE, net of current portion	1,429,452	1,604,142
SWAP LIABILITY	48,780	88,445
LANDFILL CLOSURE AND POST-CLOSURE CARE LIABILITY	13,671,695	14,040,744
OTHER POSTEMPLOYMENT BENEFITS LIABILITY	2,475,940	2,028,238
LONG-TERM DEBT, net of current portion	8,531,961	12,790,805
Total liabilities	34,964,021	38,164,196
NET POSITION:		
Invested in capital assets	63,414,978	57,280,182
Restricted	47,167,544	46,074,105
Unrestricted	51,566,990	49,761,863
Total net position	$ 162,149,512	$ 153,116,150

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, 2014
(With Comparative Totals for 2013)

	2014	2013
OPERATING REVENUE:		
Customer billings	$ 21,283,543	$ 19,548,159
Grant revenue	8,091,313	10,663,065
Loan interest income	504,468	568,406
Other revenue	1,543,464	1,183,947
Total operating revenue	31,422,788	31,963,577
OPERATING EXPENSES:		
Depreciation and amortization	8,212,425	5,553,423
Salaries	4,194,804	3,881,771
Fringe benefits	2,175,295	1,905,089
Operation and maintenance	1,927,557	1,789,334
Wastewater treatment	1,011,592	967,262
Community benefits	725,987	711,093
Water purchases	903,168	910,178
Closure and post-closure costs	605,991	633,338
Office and administrative	496,516	527,686
Insurance	245,067	223,954
Utilities	238,803	180,449
Professional fees	173,199	159,952
Automobile	207,584	200,173
Materials and supplies	168,246	148,200
NYS administrative assessment	122,000	121,810
Repairs and maintenance	92,745	95,321
Computer	212,303	145,207
Bad debt	-	4,858
Total operating expenses	21,713,282	18,159,098
Total operating income	9,709,506	13,804,479
NON-OPERATING REVENUE (EXPENSE):		
Investment income (loss)	(265,244)	840,200
Amortization of refunding loss	-	(176,295)
Interest expense	(410,900)	(564,028)
Total non-operating revenue, net	(676,144)	99,877
CHANGE IN NET POSITION	9,033,362	13,904,356
NET POSITION - beginning of year	153,116,150	139,211,794
NET POSITION - end of year	$ 162,149,512	$ 153,116,150

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, 2014
(With Comparative Totals for 2013)

	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 19,074,311	$ 20,527,510
Receipts from grants	8,072,284	10,682,094
Cash payments to suppliers	(8,233,510)	(7,137,238)
Cash payments to employees	(4,132,685)	(3,870,916)
Net cash flow from operating activities	14,780,400	20,201,450
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(9,762,249)	(16,082,388)
Payments on long-term debt	(4,634,972)	(4,540,417)
Interest paid	(455,278)	(605,868)
Net cash flow from financing activities	(14,852,499)	(21,228,673)
CASH FLOW FROM INVESTING ACTIVITIES:		
Receipts of interest	887,629	857,609
Net purchases of investments	-	235,860
Net sales of investments	(752,654)	-
Deposits into other postemployment benefit reserve fund	(416,239)	(389,078)
Net purchases of restricted assets	(1,886,900)	6,117,190
Change in funds held by trustee	(7,991)	118,251
Net cash flow from investing activities	(2,176,155)	6,939,832
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,248,254)	5,912,609
CASH AND CASH EQUIVALENTS - beginning of year	19,612,161	13,699,552
CASH AND CASH EQUIVALENTS - end of year	$ 17,363,907	$ 19,612,161
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	$ 9,709,506	$ 13,804,479
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization	8,212,425	5,553,423
Landfill closure and post-closure care costs	(369,049)	531,746
Postemployment benefits expense	447,702	418,783
Change in:		
Accounts receivable	1,035,486	(869,719)
Accrued unbilled revenue	(8,884)	(368,780)
Loans receivable	(5,583,368)	(956,197)
Inventory	3,313	(12,487)
Prepaid expenses and other assets	(128,651)	(20,897)
Accounts payable and accrued expenses	1,181,347	680,376
Unearned revenue	280,573	1,440,723
Net cash flow from operating activities	$ 14,780,400	$ 20,201,450

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 of America 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 - 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. 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, 2013, 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, 2014 or 2013.

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, 2014 and 2013.

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, US Government obligations and money market funds. The Authority reports certificates of deposit at cost and US Government obligations at fair value based on quoted market prices. 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 and other items outside of operations.

Landfill Closure and Post-Closure Care Liability

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 the personnel policy.

Estimates

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

3. NET POSITION

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

	2014	2013
Community rental housing program	$ 12,910,944	$ 8,844,290
Community development loan fund	100,000	100,000
Affordable housing program	21,257,708	21,100,657
Army water and sewer line reserves	1,800,000	1,800,000
Regional waterline operating and debt service reserves	318,139	370,447
Reserve for liner expansion and replacement	3,653,260	8,257,367
Reserve for open access telecommunication networks	7,127,493	5,601,344
Total restricted net position	$ 47,167,544	$ 46,074,105

Unrestricted
Unrestricted net position consists of Board designated net position 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.

The Authority maintains the following in unrestricted net position:

	2014	2013
Board designated net position:		
Supplemental insurance reserves	$ 7,000,000	$ 7,000,000
Community rental housing	4,000,000	7,000,000
Infrastructure development	323,108	323,108
Capital reserves	18,463,321	16,392,205
Solid waste - tip fee stabilization, carbon credit, recycling and landfill gas reserves	3,147,390	2,539,142
Other postemployment benefits reserve	347,753	369,339
Community development loan fund	8,189,149	5,244,938
Healthcare reserve	-	2,500,000
Affordable housing	3,000,000	3,000,000
	44,470,721	44,368,732
Undesignated net position	7,096,269	5,393,131
	$ 51,566,990	$ 49,761,863

4. 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.

4. CONTRACTUAL AGREEMENTS (Continued)

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 $725,987 and $711,093 in 2014 and 2013, respectively.

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 $1,382,463 and $1,009,649 in 2014 and 2013, 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 of Watertown (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.

5. ACCOUNTS RECEIVABLE

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

	2014	2013
Solid Waste Management Facility	$ 687,392	$ 606,923
Water Quality	325,640	229,510
Telecommunications network	555,827	1,762,411
Other	(2,339)	3,162
	$ 1,566,520	$ 2,602,006

6. 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 of America 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:

	2014	2013
Demand deposits	$ 16,342,935	$ 18,352,961
Time deposits	1,020,972	1,259,200
	$ 17,363,907	$ 19,612,161

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, 2014. Total investments by type are as follows at March 31:

	2014	2013
United States Treasury obligations/Government agencies	$ 7,001,403	$ 5,100,978
Certificates of deposit	19,133,740	21,416,210
	$ 26,135,143	$ 26,517,188

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

At March 31, 2014, the carrying amount of the Authority's cash and cash equivalents was $17,363,907 and was exposed to custodial credit risk as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	$ 26,276,982	$ 17,363,907
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	28,287,006	
	$ 28,787,006	

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 of America and its agencies and obligations of the State and its municipalities and towns.

7. RESTRICTED ASSETS

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

	2014	2013
Landfill closure and post-closure care	$ 13,242,889	$ 13,418,687
Community rental housing program	4,192,721	3,273,521
Affordable housing program	5,493,784	5,730,702
Army water and sewer line	2,759,292	2,941,357
Regional waterline operating and debt service reserves	371,159	294,052
Liner and replacement at Solid Waste Management Facility	7,154,166	7,194,940
Telecommunications network	6,884,123	5,357,975
	$ 40,098,134	$ 38,211,234

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, 2014.

7. RESTRICTED ASSETS (Continued)

Restricted assets consisted of the following at March 31:

	2014	2013
Money market funds	$ 13,643,203	$ 11,171,000
United States Treasury obligations/Government agencies	7,481,962	4,246,491
Certificates of deposit	18,917,228	22,733,912
Accrued interest receivable	55,741	59,831
	$ 40,098,134	$ 38,211,234

8. LOANS RECEIVABLE

Loans receivable are summarized as follows at March 31:

	2014	2013
Loans receivable:		
Affordable Housing Program - Commercial loans	$ 16,989,179	$ 13,606,385
Community Rental Housing Program - Commercial loans	12,305,035	10,124,389
Community Development loan fund - Commercial loans	2,707,466	2,687,538
Total loans receivable	$ 32,001,680	$ 26,418,312

The following tables present informative data by class of loans receivable regarding their age and interest accrual status at March 31, 2014.

	Current	30 - 59 Days	60 - 89 Days	≥ 90 Days	Total Past Due	Non-accrual	Total Loans Receivable
Affordable Housing Program	$ 16,989,179	$ -	$ -	$ -	$ -	$ -	$16,989,179
Community Rental Housing Program	12,305,035	-	-	-	-	-	12,305,035
Community Development loan fund	2,417,466	40,000	-	250,000	290,000	-	2,707,466
Total	$ 31,711,680	$ 40,000	$ -	$250,000	$ 290,000	$ -	$32,001,680

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

8. LOANS RECEIVABLE (Continued)

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

	2014	2013
Balance, beginning of year	$ 192,737	$ 192,737
Loans charged off	-	-
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, 2014.

	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	$ 32,001,680	$ -	$32,001,680	$ 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

There were no impaired loans at March 31, 2014 or 2013.

9. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2014 was as follows:

	Balance April 1, 2013	Additions	Transfers	Disposals	Balance March 31, 2014
Land	$ 1,620,224	$ -	$ -	$ -	$ 1,620,224
Construction-in-progress	16,850,135	2,515,273	(13,764,385)	-	5,601,023
Total non-depreciable assets	$ 18,470,359	$ 2,515,273	$ (13,764,385)	$ -	$ 7,221,247
Construction:					
Solid Waste Management Facility	$ 62,098,948	$ 987,728	$ 472,098	$ -	$ 63,558,774
Water Quality	35,555,013	848,920	199,157	-	36,603,090
Telecommunications network	17,957,569	3,956,697	8,495,687	-	30,409,953
General and administrative	59,992	-	-	-	59,992
Equipment:					
Solid Waste Management Facility	7,257,127	711,394	1,110	-	7,969,631
Water Quality	720,839	37,839	3,400	-	762,078
Telecommunications network	6,713,204	633,567	4,592,933	-	11,939,704
General and administrative	405,055	32,482	-	-	437,537
Vehicles:					
Solid Waste Management Facility	595,338	-	-	-	595,338
Water Quality	41,922	-	-	-	41,922
General and administrative	346,486	38,349	-	-	384,835
Leasehold improvements:					
Telecommunications network	45,162	-	-	-	45,162
General and administrative	30,119	-	-	-	30,119
Total at cost	131,826,774	7,246,976	13,764,385	-	152,838,135
Less: Accumulated depreciation and amortization for:					
Construction	(66,319,855)	(6,259,384)	-	-	(72,579,239)
Equipment	(10,880,735)	(1,891,478)	-	-	(12,772,213)
Vehicles	(794,203)	(79,491)	-	-	(873,694)
Leasehold improvements	(60,380)	(3,805)	-	-	(64,185)
Total accumulated depreciation and amortization	(78,055,173)	(8,234,158)	-	-	(86,289,331)
Total depreciable assets, net	$ 53,771,601	$ (987,182)	$ 13,764,385	$ -	$ 66,548,804
Total capital assets, net	$ 72,241,960	$ 1,528,091	$ -	$ -	$ 73,770,051

9. CAPITAL ASSETS (Continued)

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

Depreciation and amortization expense was $8,234,158 and $5,575,155 for the years ended March 31, 2014 and 2013, respectively.

10. 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, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Ending Balance
Series 1997 revenue refunding bonds maturing in annual amounts ranging from $900,000 to $950,000 from 2015 to 2016 bearing interest at 6.00%.	$ 2,670,000	$ -	$ (820,000)	$ (900,000)	$ 950,000
Series 1995A / 2005D revenue refunding bonds maturing in annual amounts ranging from $1,475,000 to $1,520,000 from 2015 to 2016 bearing interest ranging from 4.60% to 4.67%.	4,465,000	-	(1,470,000)	(1,520,000)	1,475,000

10. 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 $330,000 to $395,000 from 2015 to 2020 bearing interest ranging from 1.94% to 3.38%.	2,465,000	-	(320,000)	(330,000)	1,815,000
Add: Unamortized bond premium	101,782	-	(21,733)	-	80,049
Long-term revenue bond liabilities	$ 9,701,782	$ -	$ (2,631,733)	$ (2,750,000)	$ 4,320,049

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 2014 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 2014 to 2016 bearing interest ranging from 4.60% to 4.67%.	5,875,000	-	(1,410,000)	(1,470,000)	2,995,000
Series 1998 / 2010C revenue refunding bonds maturing in annual amounts ranging from $320,000 to $395,000 from 2014 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

Loans 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 $997,808 and $1,339,913 at March 31, 2014 and 2013, 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 $48,780 and $88,445 at March 31, 2014 and 2013, 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.

10. FINANCING ARRANGEMENTS (Continued)

Loans Payable (Continued)

Loans payable activity for the year ended March 31, 2014 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.	$ 1,314,000	$ -	$ (50,000)	$ (50,000)	$ 1,214,000
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, 2014) are required through February 2017. The revenues derived from the Authority's wastewater line secure this loan.	1,339,913	-	(342,105)	(342,105)	655,703
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.	1,288,392	-	(33,126)	(34,617)	1,220,649
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.	1,531,691	-	(499,741)	(510,389)	521,561
Loan repaid in 2014	1,100,000	-	(1,100,000)	-	-
Loans payable	$ 7,173,996	$ -	$ (2,024,972)	$ (937,111)	$ 4,211,913

10. 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, 2014) 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

10. 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, 2014:

	Principal	Interest	Total
2015	$ 3,687,112	$ 363,000	$ 4,050,111
2016	3,714,839	198,729	3,913,568
2017	751,401	104,852	856,253
2018	449,504	87,139	536,643
2019	461,281	74,770	536,051
2020 - 2024	881,002	232,878	1,113,880
2025 - 2029	544,100	161,420	705,520
2030 - 2034	616,503	89,017	705,520
2035 - 2039	1,019,282	11,479	1,030,762
2040	14,000	-	14,000
	$ 12,139,024	$ 1,323,284	$ 13,462,308

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, 2014 and 2013.

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, 2014 and 2013.

Interest Paid

Interest paid on all financing arrangements during 2014 and 2013 was $455,278 and $605,868, respectively.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Authority has a lease agreement with the New York State Office of General Services for office space that expires on March 31, 2015. Under the terms of the lease, quarterly payments of $22,646 are required through March 31, 2015. Amounts due under this commitment are $90,584 for the year ending March 31, 2015.

Total rental expense charged to operations amounted to $92,322 during the years ended March 31, 2014 and 2013.

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.

12. SOLID WASTE MANAGEMENT FACILITY

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 (the 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 $13,671,695 reported as landfill closure and post-closure care liability at March 31, 2014 represents the cumulative amount reported to date based on the use of 69% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated cost of closure and post-closure care of approximately $6,142,000 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 2057. The Authority expects to close the currently permitted landfill in 2027. 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, 2014, investments of $13,242,889 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 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 2014 and 2013, tipping fees of approximately $202,000 and $222,400, 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. As of March 31, 2014, the liner reserve was fully utilized for its intended purpose and dissolved.

Investment 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. Investment income on these funds is recorded as revenue/(loss) in the accompanying Statement of Revenue, Expenses and Change in Net Position and amounted to approximately ($351,900) and $535,500 in 2014 and 2013, respectively.

13. 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, 2014 was approximately $3,917,849.

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:

2014	2013	2012
$ 798,000	$ 649,000	$ 505,000

The Authority paid 100% of the required contributions for the years ended March 31, 2014, 2013 and 2012.

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, 2014 (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.

14. 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.

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 other post-employment benefits (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, 2014 and 2013, this account had a market value of $2,813,816 and $2,397,577, respectively. 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	33,484
Annual OPEB cost	477,149
Contributions made	(29,448)
Increase in net OPEB obligation	447,701
Net OPEB obligation - beginning of year	2,028,238
Net OPEB obligation - end of year	$ 2,475,939

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%

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.

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)
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%

15. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. This standard improves accounting and financial reporting by expanding disclosures and required supplementary information of state and local governmental pension plans. The Authority is required to adopt the provisions of Statement No. 67 for the year ending March 31, 2015. The Authority's management has not yet assessed the impact of this statement on its future financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Reporting for Pension Plans*. This standard improves accounting and financial reporting by requiring governments to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits through additional disclosures and required supplementary information. The Authority is required to adopt the provisions of Statement No. 68 for the year ending March 31, 2016. The Authority's management has not yet assessed the impact of this statement on its future financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Authority is required to adopt the provisions of this Statement for the year ending March 31, 2015. A prospective basis should be applied and early adoption is encouraged.

15. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make payments on the guarantee. The Authority is required to adopt the provisions of the Statement for the year ending March 31, 2016. A prospective basis should be applied and early adoption is encouraged.

Schedule I

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

SUPPLEMENTAL SCHEDULE OF REVENUE, EXPENSES AND CHANGE IN NET POSITION BY DEPARTMENT
FOR THE YEAR ENDED MARCH 31, 2014

	General and Administration	Solid Waste Management Facility	Water and Waste Water Operations	Telecommunications Network	Housing and Economic Development	Total
OPERATING REVENUE:						
Customer billings	$ 132,398	$ 8,366,018	$ 6,423,870	$ 6,356,312	$ 4,945	$ 21,283,543
Grant revenue	64,834	1,008,271	-	3,018,208	4,000,000	8,091,313
Loan interest income	-	-	-	-	504,468	504,468
Other revenue	82,312	1,411,921	1,740	44,607	2,884	1,543,464
Total operating revenues	279,544	10,786,210	6,425,610	9,419,127	4,512,297	31,422,788
OPERATING EXPENSES:						
Depreciation and amortization	126,221	4,600,601	757,920	2,727,683	-	8,212,425
Salaries	110,934	1,443,512	1,381,995	1,085,310	173,053	4,194,804
Fringe benefits	93,670	821,286	749,373	424,528	86,438	2,175,295
Operation and maintenance	5,155	947,407	105,016	864,979	5,000	1,927,557
Wastewater treatment	-	237,847	773,745	-	-	1,011,592
Community benefits	-	725,987	-	-	-	725,987
Water purchases	-	-	903,168	-	-	903,168
Closure and post-closure costs	-	605,991	-	-	-	605,991
Office and administrative	133,363	144,096	72,160	137,531	9,366	496,516
Insurance	11,977	114,329	56,336	62,425	-	245,067
Utilities	-	105,865	132,938	-	-	238,803
Professional fees	111,496	29,034	2,776	15,044	14,849	173,199
Automobile	1,593	2,814	151,805	51,372	-	207,584
Materials and supplies	-	168,246	-	-	-	168,246
NYS administrative assessment	-	49,040	38,410	34,550	-	122,000
Repairs and maintenance	-	7,429	85,316	-	-	92,745
Computer	144,414	19,641	24,315	23,933	-	212,303
Bad debt	-	-	-	-	-	-
Administrative allocation	(335,871)	126,445	29,029	103,075	77,322	-
Total operating expenses	402,952	10,149,570	5,264,302	5,530,430	366,028	21,713,282
Total operating income	(123,408)	636,640	1,161,308	3,888,697	4,146,269	9,709,506
NON-OPERATING REVENUE (EXPENSE):						
Interest income (loss)	17,323	(322,612)	(14,935)	33,332	21,648	(265,244)
Interest expense	-	(250,033)	(145,989)	(14,878)	-	(410,900)
Total non-operating revenue and expense	17,323	(572,645)	(160,924)	18,454	21,648	(676,144)
CHANGE IN NET POSITION	$ (106,085)	$ 63,995	$ 1,000,384	$ 3,907,151	$ 4,167,917	$ 9,033,362

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, 2014

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	$ 808,385
U.S. DEPARTMENT OF COMMERCE:		
Passed through ION NewCorp:		
Broadband Technology Opportunity Program	11.557	2,341,579
Total federal expenditures		$ 3,149,964

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.*

Bonadio & Co., LLP
Certified Public Accountants

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 19, 2014

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, 2014, 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 19, 2014.

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.

115 Solar Street, Suite 100
Syracuse, New York 13204
p (315) 214-7575
f (315) 471-2128

www.bonadio.com

(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; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

June 19, 2014

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, 2014. 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.

115 Solar Street, Suite 100
Syracuse, New York 13204
p (315) 214-7575
f (315) 471-2128

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND 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, 2014.

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, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent 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, and 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

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