

**DEVELOPMENT AUTHORITY OF  
THE NORTH COUNTRY**

**Financial Statements as of  
March 31, 2015  
Together with  
Independent Auditor's Report  
and Single Audit Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

# DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

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## INDEPENDENT AUDITOR'S REPORT

June 18, 2015

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, 2015, 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, 2015, 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.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Summarized Comparative Totals**

We have previously audited the Authority's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **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 10 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 supplemental schedule of revenue, expenses, and change in net position by department and the schedule of North Country economic Development Fund activity 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, schedule of revenue, expenses and change in net position by department, and the schedule of North Country Economic Development Fund activity 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 schedule of revenue, expenses, and change in net position by department, the schedule of North Country economic Development Fund activity and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, 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.

# **DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**MARCH 31, 2015**

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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, engineering and loans to businesses.

The Authority's Water Quality Division operates and maintains approximately 45 miles of water and sewer pipelines and associated pumping stations, with a two-mile nature trail located along the pipelines. These facilities serve Fort Drum and Western Jefferson County, and are linked to the City of Watertown water and sewer treatment facilities and the Village of Cape Vincent water treatment facility. The Authority's water and wastewater staff also provides contract operations and maintenance services to various towns and villages in Jefferson and St. Lawrence Counties.

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 Authority's Engineering Division provides comprehensive geographic information systems (GIS) development, supervisory control and data acquisition (SCADA) services, engineering and technical assistance to communities in the North Country.

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, 2015. 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, 2015, the assets of the Authority exceeded its liabilities by \$164,753,249. Of this amount, \$10,009,524 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 \$8,366,018 for the 2014 fiscal year to \$8,601,281 for the 2015 fiscal year. The change was primarily a result of an increase in tonnage accepted.
- 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) decreased during the current year from \$1,382,463 for the 2014 fiscal year to \$1,058,804 for the 2015 fiscal year. The decrease was primarily a result of an unfavorable change in market conditions, which decreased the value of renewable energy credits and energy generated.
- In 2015, the Authority separated the engineering services into a separate division. In the prior year it was included in the Water Quality Division.

## 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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Operating revenue	\$ 24,292,180	\$ 31,422,788	\$ (7,130,608)	(22.7%)
Operating expenses	<u>(23,137,234)</u>	<u>(21,713,282)</u>	<u>1,423,952</u>	<u>6.6%</u>
Operating income	1,154,946	9,709,506	(8,554,560)	(88.1%)
Non-operating revenue, net	<u>1,448,791</u>	<u>(676,144)</u>	<u>2,124,935</u>	<u>314.3%</u>
Change in net position	<u>\$ 2,603,737</u>	<u>\$ 9,033,362</u>	<u>\$ (6,429,625)</u>	<u>(71.2%)</u>

- The 22.7% decrease in operating revenue is primarily due to a decrease in Federal and State grants earned in 2015. In 2014, the Authority earned approximately \$2,342,000 in ARRA Federal Stimulus funding for the expansion of the telecommunications fiber network and \$4,000,000 from an Empire State Development housing revolving loan fund grant.
- The change in operating expenses of \$1,423,952 is primarily due to an increase in depreciation expense of \$1,139,222.
- The increase in net non-operating revenue is primarily due to an increase in investment income of approximately \$1,948,426 with current year market conditions and the requirement for the Authority to record investments at market value. Investment income increased from (\$265,244) to \$1,683,182, for 2014 and 2015, respectively.

### Financial Position Summary

Net position is an indication of the Authority's financial strength. The Authority's net position increased by \$2,603,737 during fiscal 2015 to \$164,753,249 at March 31, 2015. A summary of the Authority's net position is shown below.

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
<b>ASSETS:</b>				
Current assets	\$ 16,742,405	\$ 19,807,604	\$ (3,065,199)	(15.5%)
Loans receivable, net	34,359,477	31,808,943	2,550,534	8.0%
Investments	31,962,256	26,135,143	5,827,113	22.3%
Funds held by trustee	2,678,040	2,631,062	46,978	1.8%
Other postemployment benefit reserve fund	2,852,029	2,813,816	38,213	1.4%
Restricted assets	50,568,509	40,098,134	10,470,375	26.1%
Capital assets, net	<u>69,990,821</u>	<u>73,770,051</u>	<u>(3,779,230)</u>	<u>(5.1%)</u>
<b>Total assets</b>	<b><u>\$ 209,153,537</u></b>	<b><u>\$ 197,064,753</u></b>	<b><u>\$ 12,088,784</u></b>	<b><u>6.1%</u></b>
<b>DEFERRED OUTFLOWS</b>	<b><u>\$ 21,662</u></b>	<b><u>\$ 48,780</u></b>	<b><u>\$ (27,118)</u></b>	<b><u>(55.6%)</u></b>
<b>LIABILITIES:</b>				
Current liabilities	\$ 9,462,866	\$ 8,056,208	\$ 1,406,658	17.5%
Other liabilities (long-term)	<u>34,959,084</u>	<u>26,907,813</u>	<u>8,051,271</u>	<u>29.9%</u>
<b>Total liabilities</b>	<b><u>\$ 44,421,950</u></b>	<b><u>\$ 34,964,021</u></b>	<b><u>\$ 9,457,929</u></b>	<b><u>27.1%</u></b>
<b>NET POSITION:</b>				
Net investment in capital assets	\$ 62,601,713	\$ 63,414,978	\$ (813,265)	(1.3%)
Restricted	50,598,191	47,167,544	3,430,647	7.3%
Unrestricted	<u>51,553,345</u>	<u>51,566,990</u>	<u>(13,645)</u>	<u>-%</u>
<b>Total net position</b>	<b><u>\$ 164,753,249</u></b>	<b><u>\$ 162,149,512</u></b>	<b><u>\$ 2,603,737</u></b>	<b><u>1.6%</u></b>

- The 15.5% decrease in current assets is primarily due to a decrease in cash and cash equivalents as additional amounts were loaned to businesses to support economic development.
- Investments increased \$5,827,113 or 22.3% with additional amounts invested and current year market conditions.
- Loans receivable increased \$2,550,534 or 8.0% with additional loans made to support economic development in the North Country.
- Restricted assets increased \$10,470,375 or 26.1%, which was primarily the result of the Authority holding funds for the North County Economic Development Fund. These funds are not the property of the Authority and therefore, an offsetting liability has been recorded.
- Current liabilities increased \$1,406,658 or 17.5% with an increase in payables and deferred revenue as a result of timing.
- Other liabilities (long-term) increased \$8,051,271 or 29.9% with the Authority holding in excess of \$10 million in funds for the North County Economic Development Fund.
- Restricted net assets increased \$3,430,647 with funds being required for wetlands mitigation at the Solid Waste Management Facility.

### 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, 2015, the board of directors designated the Authority's unrestricted net position for the following uses:

Supplemental insurance reserves	\$ 7,000,000
Administrative reserve	4,000,000
Infrastructure development	223,107
Capital reserves	15,737,110
Solid waste - tip fee stabilization, carbon credit, recycling and landfill gas reserves	3,208,542
Community development loan fund	8,375,062
Affordable housing	<u>3,000,000</u>
	<u>\$ 41,543,821</u>

### 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.

Rates for engineering services are based on the requirements of the project being performed.

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

## Summary of Operating Revenue

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Service and usage revenue:				
Solid Waste Management Facility	\$ 8,601,281	\$ 8,366,018	\$ 235,263	2.8%
Water Quality operations	5,487,804	6,423,870	(939,066)	(14.6%)
Telecommunications network	6,343,204	6,356,312	(13,108)	(0.2%)
Housing and economic development	5,040	4,945	95	1.9%
Engineering	563,157	-	563,157	100.0%
Administrative contracts	<u>123,925</u>	<u>132,398</u>	<u>(8,473)</u>	<u>(6.4%)</u>
Total service and usage revenue	21,124,411	21,283,543	(159,132)	(0.7%)
Grants from government sources	1,419,165	8,091,313	(6,672,148)	(82.5%)
Interest received from outstanding loans	543,871	504,468	39,403	7.8%
Miscellaneous operating revenue	<u>1,204,733</u>	<u>1,543,464</u>	<u>(338,731)</u>	<u>(21.9%)</u>
Total operating revenue	<u>\$ 24,292,180</u>	<u>\$ 31,422,788</u>	<u>\$ (7,130,608)</u>	<u>(22.7%)</u>

- Solid Waste Management Facility revenues increased \$235,263 or 2.8%. The increase was a result of an increase in tonnage received at the facility from approximately 202,000 tons in 2014 to 214,000 tons in 2015.
- Water Quality revenues decreased \$939,066 or 14.6%, which was due to separation of the Engineering division in the current year and a decrease in flows.
- Grants from government sources decreased \$6,672,148 as the Authority earned approximately \$2,342,000 in ARRA Federal Stimulus funding for the expansion of the telecommunications fiber network and \$4,000,000 from an Empire State Development housing revolving loan fund grant in the prior year.

## 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, Engineering, and Administration.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Functional expenses:				
Solid Waste Management Facility	\$10,394,917	\$10,149,570	\$ 245,347	2.4%
Water Quality	4,820,112	5,264,302	(444,190)	(8.4%)
Telecommunications network	6,395,981	5,530,430	865,551	15.7%
Housing and economic Development	617,241	366,028	251,213	68.6%
Engineering	534,649	-	534,649	100.0%
Administration	<u>374,334</u>	<u>402,952</u>	<u>(28,618)</u>	<u>(7.1%)</u>
Total functional expenses	<u>\$23,137,234</u>	<u>\$21,713,282</u>	<u>\$ 1,423,952</u>	<u>6.6%</u>

### Summary of Operating Expenses (Continued)

- Solid Waste Management Facility expenses increased \$245,347 or 2.4%. This increase was primarily due to an increase in depreciation expense with significant additions in the past four years.
- Water Quality expenses decreased \$444,190 or 8.4%. This was mainly due to separation of the Engineering department in the current year.
- Telecommunication network expenses increased \$865,551 or 15.7%. This increase was primarily due to an increase in depreciation expense with significant additions in the prior year having a full year of depreciation.
- Housing and economic development expenses increased with the \$250,000 write-off of a loan receivable.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Operating expenses:				
Depreciation and amortization	\$ 9,351,647	\$ 8,212,425	\$ 1,139,222	13.9%
Salaries and fringe benefits	6,520,438	6,370,099	150,339	2.4%
Wastewater treatment	1,087,856	1,011,592	76,264	7.5%
Community benefits	717,018	725,987	(8,969)	(1.2%)
Water purchases	784,298	903,168	(118,870)	(13.2%)
Operating and maintenance	3,635,890	3,548,149	87,741	2.5%
General and administrative	340,987	335,871	5,116	1.5%
Closure and post-closure Costs	<u>699,100</u>	<u>605,991</u>	<u>93,109</u>	<u>15.4%</u>
<b>Total operating expenses</b>	<b><u>\$23,137,234</u></b>	<b><u>\$21,713,282</u></b>	<b><u>\$ 1,423,952</u></b>	<b><u>6.6%</u></b>

- Total operating expenses increased \$1,423,952 or 6.6%.
- Depreciation and amortization expense increased \$1,139,222 or 13.9%. This increase is due to significant capital additions in the operating divisions of the Authority.
- Wastewater treatment costs increased \$76,264 or 7.5% due to an increase in leachate cost at the Solid Waste Management Facility and wastewater treatment costs on the Army Sewer Line.
- Water purchases decreased with a decrease in the flows on the Army Water Line.
- Closure and post-closure costs increased \$93,109 or 15.4%, due to increased tonnage received in 2015 and a change in the estimated future liability.

### Non-Operating Revenue (Expense)

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Non-operating revenue (expense):				
Investment income	\$ 1,683,182	\$ (265,244)	\$ 1,948,426	734.6%
Gain on sale of capital assets	33,088	-	33,088	100.0%
Interest expense	<u>(267,479)</u>	<u>(410,900)</u>	<u>143,421</u>	<u>34.9%</u>
<b>Total</b>	<b><u>\$ 1,448,791</u></b>	<b><u>\$ (676,144)</u></b>	<b><u>\$ 2,124,935</u></b>	<b><u>314.3%</u></b>

- Investment income increased \$1,948,426 due to current year market conditions and the requirement for the Authority to record investments at market value.
- Interest expense decreased \$143,421 or 34.9% 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 \$2,912,662. The Authority has a board designated money market account in the amount of \$2,852,029 for other postemployment benefits.

### Capital Assets

At the end of 2015, the Authority had \$69,990,821 (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 a decrease (net of disposals and depreciation) of \$3,779,230 or 5.1% 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, 2015, the Authority has three revenue bond series outstanding totaling \$4,240,000.

<u>Development Authority of the North Country Bond Series</u>	<u>Bonds Outstanding as of March 2015</u>	<u>Bonds Outstanding as of March 2014</u>	<u>Principal Due 2016</u>
Series 1997	\$ 950,000	\$ 1,850,000	\$ 950,000
Series 1995/2005D	1,475,000	2,995,000	1,475,000
Series 2010C	<u>1,815,000</u>	<u>2,145,000</u>	<u>340,000</u>
Total	<u>\$ 4,240,000</u>	<u>\$ 6,990,000</u>	<u>\$ 2,765,000</u>

In addition to the bonds, the Authority had \$4,904,792 of loans payable as of March 31, 2015.

<u>Loans, Contract and Capital Lease Payables</u>	<u>Outstanding as of March 2015</u>	<u>Outstanding as of March 2014</u>	<u>Principal Due 2016</u>
Loans payable	<u>\$ 4,904,792</u>	<u>\$ 5,149,024</u>	<u>\$ 965,347</u>

In total the Authority's debt decreased by \$3,015,965 or 23.8%, which was the result of the Authority making principal payments of \$3,701,303 and the amortization of \$21,733 on the bond premium offset by additional borrowings of \$707,071.

### Credit Ratings

The Authority is the recipient of favorable credit ratings from both Moody's and Standard & Poor's. The Authority has an A2 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 January 2013 and by Standard & Poor's in March 2014. 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, 2015 (With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,232,248	\$ 17,363,907
Accounts receivable	1,639,499	1,566,520
Accrued unbilled revenue	402,173	398,997
Interest receivable	166,295	102,322
Inventory	14,631	26,171
Prepaid expense and other assets	287,559	349,687
Total current assets	<u>16,742,405</u>	<u>19,807,604</u>
LOANS RECEIVABLE, net	34,359,477	31,808,943
INVESTMENTS	31,962,256	26,135,143
FUNDS HELD BY TRUSTEE	2,678,040	2,631,062
OTHER POSTEMPLOYMENT BENEFIT RESERVE FUND	2,852,029	2,813,816
RESTRICTED ASSETS	50,568,509	40,098,134
CAPITAL ASSETS, net	69,990,821	73,770,051
Total assets	<u>209,153,537</u>	<u>197,064,753</u>
DEFERRED OUTFLOWS		
Accumulated decrease in fair value of swap contract	21,662	48,780
Total deferred outflows	<u>21,662</u>	<u>48,780</u>
<b>LIABILITIES AND NET POSITION</b>		
CURRENT LIABILITIES:		
Accounts payable	3,988,320	3,264,195
Current portion of long-term debt	3,729,345	3,687,112
Accrued expenses	402,043	443,969
Interest payable	60,442	108,340
Current portion of unearned revenue	1,282,716	552,592
Total current liabilities	9,462,866	8,056,208
FUNDS HELD FOR OTHERS	10,032,611	-
DUE TO U.S. ARMY	749,985	749,985
UNEARNED REVENUE, net of current portion	1,397,607	1,429,452
SWAP LIABILITY	21,662	48,780
LANDFILL CLOSURE AND POST-CLOSURE CARE LIABILITY	14,370,794	13,671,695
OTHER POSTEMPLOYMENT BENEFITS LIABILITY	2,912,662	2,475,940
LONG-TERM DEBT, net of current portion	5,473,763	8,531,961
Total liabilities	<u>44,421,950</u>	<u>34,964,021</u>
NET POSITION:		
Net investment in capital assets	62,601,713	63,414,978
Restricted	50,598,191	47,167,544
Unrestricted	51,553,345	51,566,990
Total net position	<u>\$ 164,753,249</u>	<u>\$ 162,149,512</u>

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, 2015

(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUE:</b>		
Customer billings	\$ 21,124,411	\$ 21,283,543
Grant revenue	1,419,165	8,091,313
Loan interest income	543,871	504,468
Other revenue	<u>1,204,733</u>	<u>1,543,464</u>
Total operating revenue	<u>24,292,180</u>	<u>31,422,788</u>
<b>OPERATING EXPENSES:</b>		
Depreciation and amortization	9,351,647	8,212,425
Salaries	4,304,489	4,194,804
Fringe benefits	2,215,949	2,175,295
Operation and maintenance	1,867,106	1,927,557
Wastewater treatment	1,087,856	1,011,592
Water purchases	784,298	903,168
Community benefits	717,018	725,987
Closure and post-closure costs	699,100	605,991
Office and administrative	474,017	496,516
Insurance	278,916	245,067
Automobile	206,627	207,584
Utilities	187,044	238,803
Materials and supplies	172,573	168,246
Professional fees	159,988	173,199
Computer	139,618	212,303
NYS administrative assessment	122,000	122,000
Repairs and maintenance	118,988	92,745
Bad debt	<u>250,000</u>	<u>-</u>
Total operating expenses	<u>23,137,234</u>	<u>21,713,282</u>
Total operating income	<u>1,154,946</u>	<u>9,709,506</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>		
Investment income (loss)	1,683,182	(265,244)
Gain on sale of capital assets	33,088	-
Interest expense	<u>(267,479)</u>	<u>(410,900)</u>
Total non-operating revenue, net	<u>1,448,791</u>	<u>(676,144)</u>
<b>CHANGE IN NET POSITION</b>	<b>2,603,737</b>	<b>9,033,362</b>
<b>NET POSITION - beginning of year</b>	<u>162,149,512</u>	<u>153,116,150</u>
<b>NET POSITION - end of year</b>	<u>\$ 164,753,249</u>	<u>\$ 162,149,512</u>

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, 2015

(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 20,150,605	\$ 19,074,311
Receipts from grants	2,213,165	8,072,284
Cash payments to suppliers	(7,547,484)	(8,233,510)
Cash payments to employees	<u>(4,346,415)</u>	<u>(4,132,685)</u>
Net cash flow from operating activities	<u>10,469,871</u>	<u>14,780,400</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	(5,597,758)	(9,762,249)
Proceeds from sale of capital assets	36,696	-
Proceeds from issuance of long-term debt	707,071	-
Payments on long-term debt	(3,701,303)	(4,634,972)
Interest paid	<u>(315,377)</u>	<u>(455,278)</u>
Net cash flow from financing activities	<u>(8,870,671)</u>	<u>(14,852,499)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Receipts of interest	1,619,209	887,629
Net sales of investments	(5,827,113)	(752,654)
Deposits into other postemployment benefit reserve fund	(38,213)	(416,239)
Net purchases of restricted assets	(437,764)	(1,886,900)
Change in funds held by trustee	<u>(46,978)</u>	<u>(7,991)</u>
Net cash flow from investing activities	<u>(4,730,859)</u>	<u>(2,176,155)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,131,659)</b>	<b>(2,248,254)</b>
CASH AND CASH EQUIVALENTS - beginning of year	<u>17,363,907</u>	<u>19,612,161</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 14,232,248</u></u>	<u><u>\$ 17,363,907</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 1,154,946	\$ 9,709,506
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization	9,351,647	8,212,425
Landfill closure and post-closure care costs	699,099	(369,049)
Postemployment benefits expense	436,722	447,702
Change in:		
Accounts receivable	(72,979)	1,035,486
Accrued unbilled revenue	(3,176)	(8,884)
Loans receivable	(2,550,534)	(5,583,368)
Inventory	11,540	3,313
Prepaid expenses and other assets	62,128	(128,651)
Accounts payable and accrued expenses	682,199	1,181,347
Unearned revenue	<u>698,279</u>	<u>280,573</u>
Net cash flow from operating activities	<u><u>\$ 10,469,871</u></u>	<u><u>\$ 14,780,400</u></u>

The accompanying notes are an integral part of these statements.

# DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2015

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### 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 – net investment in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- Net investment 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 that 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 "net investment in capital assets" 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, 2014, 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, 2015 or 2014.

### **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 0% to 7.25% and are due at various dates through December 2043.

### **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, 2015 and 2014.

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. 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 and money market funds 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 unrestricted on the accompanying statement of net position.

### **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**

Cash 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:

	<u>2015</u>	<u>2014</u>
Community rental housing program	\$ 13,400,369	\$ 12,910,944
Community development loan fund	100,000	100,000
Affordable housing program	21,428,643	21,257,708
Army water and sewer line reserves	1,800,000	1,800,000
Regional waterline operating and debt service reserves	362,866	318,139
Wetlands mitigation	2,017,543	-
Reserve for liner expansion and replacement	3,939,216	3,653,260
Reserve for open access telecommunication networks	<u>7,549,554</u>	<u>7,127,493</u>
 Total restricted net position	 <u>\$ 50,598,191</u>	 <u>\$ 47,167,544</u>

#### 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:

	<u>2015</u>	<u>2014</u>
Board designated net position:		
Supplemental insurance reserves	\$ 7,000,000	\$ 7,000,000
Administrative reserve	4,000,000	-
Community rental housing	-	4,000,000
Infrastructure development	223,107	323,108
Capital reserves	15,737,110	18,463,321
Solid waste - tip fee stabilization, carbon credit, recycling and landfill gas reserves	3,208,542	3,147,390
Other postemployment benefits reserve	-	347,753
Community development loan fund	8,375,062	8,189,149
Affordable housing	<u>3,000,000</u>	<u>3,000,000</u>
	41,543,821	44,470,721
Undesignated net position	<u>10,009,524</u>	<u>7,096,269</u>
	<u>\$ 51,553,345</u>	<u>\$ 51,566,990</u>

#### **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 the Authority's obligations for the facility are fully discharged.

##### **Host Community Agreement**

In 1993, the Authority entered into an agreement with the Town of Rodman (the Town) to locate a solid waste management facility within the Town. This agreement requires the Authority to pay a quarterly fee, which is adjusted each year by the consumer price index, on a per ton of waste received basis. Also, the agreement requires a minimum host community fee of \$50,000 for each year the Solid Waste Management Facility is in actual operation. This agreement was revised in fiscal year 2011. Under the terms of the revised agreement, the Town receives a 75% reduction in tipping fees. Additionally, the Authority pays the Town 50% of the first \$100,000 of the proceeds from the sale of energy at the gas-to-energy plant, 25% of the next \$100,000 of proceeds and 10% thereafter. Host community benefits expense was \$717,018 and \$725,987 in 2015 and 2014, 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 \$1,058,804 and \$1,382,463 in 2015 and 2014, 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.

#### 4. CONTRACTUAL AGREEMENTS (Continued)

##### 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.

##### Project Development Agreement

In 2015, the Authority entered into a Project Development Agreement with the Town of Watertown (the Town), Jefferson County and the Watertown City School District (the School District), whereby the Authority will make ten annual payments to Jefferson County and the School District from certain Community Rental Housing Program interest proceeds. If the applicable interest is not collected, no payments are required. The agreement does not provide for any payments to the Town. The payments under the terms of this agreement to Jefferson County and the School District are contingent upon payment being received from the borrower. Due to the contingent nature of this agreement, no liability has been recorded in the accompanying Statement of Net Position.

#### 5. ACCOUNTS RECEIVABLE

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

	<u>2015</u>	<u>2014</u>
Solid Waste Management Facility	\$ 768,902	\$ 687,392
Water Quality	298,586	325,640
Telecommunications network	574,084	555,827
Engineering	5,405	-
Other	<u>(7,478)</u>	<u>(2,339)</u>
	<u>\$ 1,639,499</u>	<u>\$ 1,566,520</u>

## 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:

	<u>2015</u>	<u>2014</u>
Demand deposits	\$ 11,878,240	\$ 16,342,935
Time deposits	<u>2,354,008</u>	<u>1,020,972</u>
	<u>\$ 14,232,248</u>	<u>\$ 17,363,907</u>

### **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, 2015. Total investments by type are as follows at March 31:

	<u>2015</u>	<u>2014</u>
United States Treasury obligations/Government agencies	\$ 9,424,104	\$ 7,001,403
Certificates of deposit	<u>22,538,152</u>	<u>19,133,740</u>
	<u>\$ 31,962,256</u>	<u>\$ 26,135,143</u>

**6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)**

**Custodial Credit Risk - Deposits**

At March 31, 2015, the carrying amount of the Authority's cash and cash equivalents was \$14,232,248 and was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 14,451,702	\$ 14,232,248
Covered by FDIC insurance	\$ 750,000	
Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name	<u>21,261,084</u>	
	<u>\$ 22,011,084</u>	

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:

	<u>2015</u>	<u>2014</u>
Landfill closure and post-closure care	\$ 14,620,687	\$ 13,242,889
North Country Economic Development	10,038,891	-
Telecommunications network	8,528,894	6,884,123
Affordable housing program	5,296,718	5,493,784
Community rental housing program	3,593,972	4,192,721
Replacement at Solid Waste Management Facility	3,363,843	7,154,166
Army water and sewer line	2,789,192	2,759,292
Wetlands mitigation	2,017,543	-
Regional waterline operating and debt service reserves	<u>318,769</u>	<u>371,159</u>
	<u>\$ 50,568,509</u>	<u>\$ 40,098,134</u>

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, 2015.

**7. RESTRICTED ASSETS (Continued)**

Restricted assets consisted of the following at March 31:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 6,556,185	\$ 13,643,203
United States Treasury obligations/Government agencies	9,816,643	7,481,962
Certificates of deposit	34,128,674	18,917,228
Accrued interest receivable	<u>67,007</u>	<u>55,741</u>
	<u>\$ 50,568,509</u>	<u>\$ 40,098,134</u>

**8. LOANS RECEIVABLE**

Loans receivable are summarized as follows at March 31:

	<u>2015</u>	<u>2014</u>
Loans receivable:		
Affordable Housing Program - Commercial loans	\$ 17,306,472	\$ 16,989,179
Community Rental Housing Program - Commercial loans	13,389,760	12,305,035
Community Development loan fund - Commercial loans	<u>3,855,982</u>	<u>2,707,466</u>
Total loans receivable	<u>\$ 34,552,214</u>	<u>\$ 32,001,680</u>

The following tables present informative data by class of loans receivable regarding their age and interest accrual status at March 31, 2015.

	<u>Current</u>	<u>30 - 59 Days</u>	<u>60 - 89 Days</u>	<u>≥ 90 Days</u>	<u>Total Past Due</u>	<u>Non- accrual</u>	<u>Total Loans Receivable</u>
Affordable Housing Program	\$ 17,230,848	\$ 43,475	\$ -	\$ 32,149	\$ 75,624	\$ -	\$ 17,306,472
Community Rental Housing Program	13,389,760	-	-	-	-	-	13,389,760
Community Development loan fund	<u>3,851,211</u>	<u>4,771</u>	<u>-</u>	<u>-</u>	<u>4,771</u>	<u>-</u>	<u>3,855,982</u>
Total	<u>\$ 34,471,819</u>	<u>\$ 48,246</u>	<u>\$ -</u>	<u>\$ 32,149</u>	<u>\$ 80,395</u>	<u>\$ -</u>	<u>\$ 34,552,214</u>

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

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

## 8. LOANS RECEIVABLE (Continued)

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 192,737	\$ 192,737
Loans charged off	(250,000)	-
Allowance provisions	<u>250,000</u>	<u>-</u>
Balance, end of year	<u>\$ 192,737</u>	<u>\$ 192,737</u>

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, 2015.

	<u>Ending Loan Balance</u>			<u>Allowance for Loan Losses</u>		
	Individually Evaluated for <u>Impairment</u>	Collectively Evaluated for <u>Impairment</u>	<u>Total</u>	Loans Individually Evaluated for <u>Impairment</u>	Loans Collectively Evaluated for <u>Impairment</u>	<u>Total</u>
Commercial loans	<u>\$34,552,214</u>	<u>\$ -</u>	<u>\$34,552,214</u>	<u>\$ 192,737</u>	<u>\$ -</u>	<u>\$ 192,737</u>

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.

	<u>Ending Loan Balance</u>			<u>Allowance for Loan Losses</u>		
	Individually Evaluated for <u>Impairment</u>	Collectively Evaluated for <u>Impairment</u>	<u>Total</u>	Loans Individually Evaluated for <u>Impairment</u>	Loans Collectively Evaluated for <u>Impairment</u>	<u>Total</u>
Commercial loans	<u>\$32,001,680</u>	<u>\$ -</u>	<u>\$32,001,680</u>	<u>\$ 192,737</u>	<u>\$ -</u>	<u>\$ 192,737</u>

There were no impaired loans at March 31, 2015 or 2014.

## 9. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2015 was as follows:

	Balance April 1, 2014	Additions	Transfers	Disposals	Balance March 31, 2015
Land	\$ 1,620,224	\$ -	\$ -	\$ -	\$ 1,620,224
Construction-in-progress	<u>5,601,023</u>	<u>4,769,277</u>	<u>(5,702,928)</u>	<u>-</u>	<u>4,667,372</u>
Total non-depreciable assets	<u>\$ 7,221,247</u>	<u>\$ 4,769,277</u>	<u>\$ (5,702,928)</u>	<u>\$ -</u>	<u>\$ 6,287,596</u>
Construction:					
Solid Waste Management Facility	\$ 63,558,774	\$ -	\$ 1,783,267	\$ -	\$ 65,342,041
Water Quality	36,603,090	828,470	168,746	-	37,600,306
Telecommunications network	30,409,953	-	1,883,508	-	32,293,461
General and administrative	59,992	-	-	-	59,992
Equipment:					
Solid Waste Management Facility	7,969,631	-	274,103	-	8,243,734
Water Quality	762,078	-	79,195	-	841,273
Telecommunications network	11,939,704	-	1,299,669	-	13,239,373
General and administrative	437,537	-	18,052	-	455,589
Vehicles:					
Solid Waste Management Facility	595,338	-	-	(40,991)	554,347
Water Quality	41,922	-	14,548	-	56,470
General and administrative	384,835	-	181,840	(43,294)	523,381
Leasehold improvements:					
Telecommunications network	45,162	-	-	-	45,162
General and administrative	<u>30,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,119</u>
Total at cost	<u>152,838,135</u>	<u>828,470</u>	<u>5,702,928</u>	<u>(84,285)</u>	<u>159,285,248</u>
Less: Accumulated depreciation and amortization for:					
Construction	(72,579,239)	(6,892,073)	-	-	(79,471,312)
Equipment	(12,772,213)	(2,377,969)	-	-	(15,150,182)
Vehicles	(873,694)	(99,521)	-	80,675	(892,540)
Leasehold improvements	<u>(64,185)</u>	<u>(3,804)</u>	<u>-</u>	<u>-</u>	<u>(67,989)</u>
Total accumulated depreciation and amortization	<u>(86,289,331)</u>	<u>(9,373,367)</u>	<u>-</u>	<u>80,675</u>	<u>(95,582,023)</u>
Total depreciable assets, net	<u>\$ 66,548,804</u>	<u>\$ (8,544,897)</u>	<u>\$ 5,702,928</u>	<u>\$ (3,610)</u>	<u>\$ 63,703,225</u>
Total capital assets, net	<u>\$ 73,770,051</u>	<u>\$ (3,775,620)</u>	<u>\$ -</u>	<u>\$ (3,610)</u>	<u>\$ 69,990,821</u>

## 9. CAPITAL ASSETS (Continued)

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	<u>16,850,135</u>	<u>2,515,273</u>	<u>(13,764,385)</u>	<u>-</u>	<u>5,601,023</u>
Total non-depreciable assets	<u>\$ 18,470,359</u>	<u>\$ 2,515,273</u>	<u>\$ (13,764,385)</u>	<u>\$ -</u>	<u>\$ 7,221,247</u>
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	<u>30,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,119</u>
Total at cost	<u>131,826,774</u>	<u>7,246,976</u>	<u>13,764,385</u>	<u>-</u>	<u>152,838,135</u>
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	<u>(60,380)</u>	<u>(3,805)</u>	<u>-</u>	<u>-</u>	<u>(64,185)</u>
Total accumulated depreciation and amortization	<u>(78,055,173)</u>	<u>(8,234,158)</u>	<u>-</u>	<u>-</u>	<u>(86,289,331)</u>
Total depreciable assets, net	<u>\$ 53,771,601</u>	<u>\$ (987,182)</u>	<u>\$ 13,764,385</u>	<u>\$ -</u>	<u>\$ 66,548,804</u>
Total capital assets, net	<u>\$ 72,241,960</u>	<u>\$ 1,528,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,770,051</u>

Depreciation and amortization expense was \$9,361,197 and \$8,234,158 for the years ended March 31, 2015 and 2014, respectively.

## 10. FINANCING ARRANGEMENTS

Long-term debt revenue bond activity for the year ended March 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>
Series 1997 revenue refunding bonds matured in April 2015 with a final principal payment of \$950,000 plus interest at 6.00%.	\$ 1,850,000	\$ -	\$ (900,000)	\$ (950,000)	\$ -
Series 1995A / 2005D revenue refunding bonds matured in May 2015 with a final principal payment of \$1,475,000 plus interest at 4.67%.	2,995,000	-	(1,520,000)	(1,475,000)	-
Series 1998 / 2010C revenue refunding bonds maturing in annual amounts ranging from \$340,000 to \$395,000 from 2015 to 2020 bearing interest ranging from 2.28% to 3.38%.	2,145,000	-	(330,000)	(340,000)	1,475,000
Add: Unamortized bond premium	<u>80,049</u>	<u>-</u>	<u>(21,733)</u>	<u>-</u>	<u>58,316</u>
Long-term revenue bond liabilities	<u>\$ 7,070,049</u>	<u>\$ -</u>	<u>\$ (2,771,733)</u>	<u>\$ (2,765,000)</u>	<u>\$ 1,533,316</u>

Long-term debt revenue bond activity for the year ended March 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>
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
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	<u>101,782</u>	<u>-</u>	<u>(21,733)</u>	<u>-</u>	<u>80,049</u>
Long-term revenue bond liabilities	<u>\$ 9,701,782</u>	<u>\$ -</u>	<u>\$ (2,631,733)</u>	<u>\$ (2,750,000)</u>	<u>\$ 4,320,049</u>

## 10. FINANCING ARRANGEMENTS (Continued)

### 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 \$655,703 and \$997,808 at March 31, 2015 and 2014, 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 \$21,662 and \$48,780 at March 31, 2015 and 2014, 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.

Loans payable activity for the year ended March 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>
Unsecured loan payable to the State of New York in annual payments of \$50,000 through March 2040. This loan does not bear interest.	\$ 1,264,000	\$ -	\$ (50,000)	\$ (50,000)	\$ 1,164,000
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% (1.19% at March 31, 2015) are required through February 2017. The revenues derived from the Authority's wastewater line secure this loan.	997,808	-	(342,105)	(342,105)	313,598
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.	1,255,266	-	(34,617)	(36,175)	1,184,474
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.	1,031,950	-	(510,389)	(521,561)	-
Unsecured note payable to the Village of Cape Vincent requiring quarterly payments ranging from \$7,028 to \$7,100, including interest at 2.0% March 2049.	-	707,071	(14,192)	(14,506)	678,373
<b>Loans payable</b>	<b>\$ 5,149,024</b>	<b>\$ 707,071</b>	<b>\$ (951,303)</b>	<b>\$ (964,347)</b>	<b>\$ 3,940,445</b>

## 10. FINANCING ARRANGEMENTS (Continued)

### Loans and Contract Payable (Continued)

Loans and contract 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, 2015) 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	<u>1,100,000</u>	<u>-</u>	<u>(1,100,000)</u>	<u>-</u>	<u>-</u>
Loans payable	<u>\$ 7,173,996</u>	<u>\$ -</u>	<u>\$ (2,024,972)</u>	<u>\$ (937,111)</u>	<u>\$ 4,211,913</u>

## 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, 2015:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,729,345	\$ 212,586	\$ 3,941,931
2017	766,190	118,419	884,609
2018	464,579	100,410	564,989
2019	476,640	87,740	564,380
2020	503,783	73,987	577,770
2021 – 2025	579,392	267,407	846,799
2026 – 2030	648,923	198,069	846,992
2031 – 2035	733,969	112,880	846,849
2036 – 2040	1,011,295	33,715	1,045,010
2041 – 2045	123,160	18,238	141,398
2046 – 2049	<u>107,516</u>	<u>5,421</u>	<u>112,937</u>
	<u>\$ 9,144,792</u>	<u>\$ 1,228,872</u>	<u>\$ 10,373,664</u>

### 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, 2015 and 2014.

### Interest Paid

Interest paid on all financing arrangements during 2015 and 2014 was \$315,377 and \$455,278, 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, 2018. Under the terms of the lease, quarterly payments of \$24,463 are required. Amounts due under this commitment are as follows for the years ending March 31:

2016	\$ 97,852
2017	97,852
2018	<u>97,852</u>
	<u>\$ 293,556</u>

Total rental expense charged to operations amounted to \$92,322 during the years ended March 31, 2015 and 2014.

### 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 \$14,370,794 reported as landfill closure and post-closure care liability at March 31, 2015 represents the cumulative amount reported to date based on the use of 71% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated cost of closure and post-closure care of approximately \$5,870,000 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, 2015, investments of \$14,620,587 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.

### **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 the replacement of the Facility's equipment. The Authority considers the funds collected from these fees as restricted net assets as the Facility needs to replace capital assets in order to meet the future revenue bonds debt service payments. In 2015 and 2014, tipping fees of approximately \$428,200 and \$202,000, respectively were set aside for 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.

### **Wetlands Mitigation**

In 2015, the Authority established a wetlands mitigation account in order to fund the future expansion of the Facility. The Authority considers these to be restricted net assets as the Facility is required by law to mitigate the wetlands at the Facility in order to expand. The balance in this reserve was \$2,017,543 at March 31, 2015.

### **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, 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 \$1,260,600 and (\$351,900) in 2015 and 2014, 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, 2015 was approximately \$4,125,311.

**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 approximately:

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ <u>828,000</u>	\$ <u>798,000</u>	\$ <u>649,000</u>

The Authority paid 100% of the required contributions for the years ended March 31, 2015, 2014 and 2013.

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, 2015 (which otherwise were to have been paid on December 15, 2014) over a 5-year period, with a 7.50% 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, 2015 and 2014, this account had a market value of \$2,852,029 and \$2,813,816, 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:

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 443,665	\$ 443,665
Interest on net OPEB obligation	<u>36,475</u>	<u>33,484</u>
Annual OPEB cost	480,140	477,149
Contributions made	<u>(43,418)</u>	<u>(29,447)</u>
Increase in net OPEB obligation	436,722	447,702
Net OPEB obligation - beginning of year	<u>2,475,940</u>	<u>2,028,238</u>
Net OPEB obligation - end of year	<u>\$ 2,912,662</u>	<u>\$ 2,475,940</u>

##### 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	<u>\$ 3,167,367</u>
Covered payroll	<u>\$ 3,773,859</u>
Ratio of unfunded AAL to covered payroll	<u>83.9%</u>

## 14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

### Actuarial Methods and Assumptions

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

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

Actuarial Cost Method	Entry Age Actuarial 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. 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 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.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

SUPPLEMENTAL SCHEDULE OF REVENUE, EXPENSES AND CHANGE IN NET POSITION BY DEPARTMENT  
FOR THE YEAR ENDED MARCH 31, 2015

	General and Administration	Solid Waste Management Facility	Water and Waste Water Operations	Telecommunications Network	Housing and Economic Development	Engineering	Total
<b>OPERATING REVENUE:</b>							
Customer billings	\$ 123,925	\$ 8,601,281	\$ 5,487,804	\$ 6,343,204	\$ 5,040	\$ 563,157	\$ 21,124,411
Grant revenue	15,517	247,648	-	250,000	906,000	-	1,419,165
Loan interest income	-	-	-	-	543,871	-	543,871
Other revenue	89,490	1,071,411	3,122	20,512	20,198	-	1,204,733
Total operating revenues	<u>228,932</u>	<u>9,920,340</u>	<u>5,490,926</u>	<u>6,613,716</u>	<u>1,475,109</u>	<u>563,157</u>	<u>24,292,180</u>
<b>OPERATING EXPENSES:</b>							
Depreciation and amortization	157,438	4,869,912	817,284	3,507,013	-	-	9,351,647
Salaries	101,253	1,490,089	1,118,168	1,111,307	176,248	307,424	4,304,489
Fringe benefits	97,719	822,490	614,891	442,086	85,498	153,265	2,215,949
Operation and maintenance	21,649	770,600	74,673	926,313	5,000	68,871	1,867,106
Wastewater treatment	-	271,908	815,948	-	-	-	1,087,856
Water purchases	-	-	784,298	-	-	-	784,298
Community benefits	-	717,018	-	-	-	-	717,018
Closure and post-closure costs	-	699,100	-	-	-	-	699,100
Office and administrative	138,414	145,201	56,708	108,392	9,144	16,158	474,017
Insurance	14,784	124,004	51,780	83,420	-	4,928	278,916
Bad debt	-	-	-	-	250,000	-	250,000
Automobile	1,136	11,419	129,840	48,125	-	16,107	206,627
Utilities	-	72,036	111,960	3,048	-	-	187,044
Materials and supplies	-	172,573	-	-	-	-	172,573
Professional fees	87,088	27,204	1,892	23,360	17,944	2,500	159,988
Computer	95,480	6,205	6,895	2,666	-	28,372	139,618
NYS administrative assessment	-	49,262	35,568	33,686	-	3,484	122,000
Repairs and maintenance	-	16,115	102,873	-	-	-	118,988
Engineering allocation	360	22,445	30,556	15,490	-	(68,851)	-
Administrative allocation	(340,987)	107,336	66,778	91,075	73,407	2,391	-
Total operating expenses	<u>374,334</u>	<u>10,394,917</u>	<u>4,820,112</u>	<u>6,395,981</u>	<u>617,241</u>	<u>534,649</u>	<u>23,137,234</u>
Total operating income	<u>(145,402)</u>	<u>(474,577)</u>	<u>670,814</u>	<u>217,735</u>	<u>857,868</u>	<u>28,508</u>	<u>1,154,946</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>							
Interest income	138,944	1,318,716	35,447	159,667	30,408	-	1,683,182
Gain on sale of capital assets, net	15,188	17,900	-	-	-	-	33,088
Interest expense	-	(145,156)	(122,323)	-	-	-	(267,479)
Total non-operating revenue (expense)	<u>154,132</u>	<u>1,191,460</u>	<u>(86,876)</u>	<u>159,667</u>	<u>30,408</u>	<u>-</u>	<u>1,448,791</u>
CHANGE IN NET POSITION	<u>\$ 8,730</u>	<u>\$ 716,883</u>	<u>\$ 583,938</u>	<u>\$ 377,402</u>	<u>\$ 888,276</u>	<u>\$ 28,508</u>	<u>\$ 2,603,737</u>

The accompanying notes are an integral part of these schedules.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

SUPPLEMENTAL SCHEDULE OF NORTH COUNTRY ECONOMIC DEVELOPMENT  
 FUND ACTIVITY  
 FOR THE YEAR ENDED MARCH 31, 2015

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	<u>Total</u>
Funds held for others - beginning of year	\$ -
Original deposit on September 16, 2014	10,012,557
Investment income	26,334
Investment fees	(1,613)
Consulting expense	<u>(4,667)</u>
Change in fund	<u>10,032,611</u>
Funds held for others - end of year	<u>\$ 10,032,611</u>
Restricted assets held for North County Economic Development	\$ 10,038,891
Accounts payable	<u>(6,280)</u>
Funds held for others	<u>\$ 10,032,611</u>

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, 2015**


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<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>		
Passed through Jefferson County:		
Home Investment Partnerships Program	14.239	\$ <u>736,607</u>
Total federal expenditures		\$ <u>736,607</u>

**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*.

**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 18, 2015

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 the 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, 2015, 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 18, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

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

(Continued)

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

June 18, 2015

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

**Report on Compliance for Each Major Federal Program**

We have audited the 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, 2015. The Authority's major federal program is 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 program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(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 the major federal program for the year ended March 31, 2015.

### **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.

# DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2015

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### 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 is reported in the Independent Auditor's Report for Each Major Program, and Report on Internal Control Over Compliance Required by OMB Circular A-133.
5. The independent auditor's report on compliance for the major federal award program for the Authority expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award program for the Authority.
7. The program tested as the major program was HOME Investment Partnerships Program, CFDA #14.239
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Authority was determined to be a low-risk auditee.

### B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

### D. SUMMARY OF PRIOR YEAR FINDINGS

None