MONROE NEWPOWER CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

Financial Statements as of December 31, 2015 Together with Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

MONROE NEWPOWER CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 6
FINANCIAL STATEMENTS:	
Statement of Net Position	7
Statement of Revenues, Expenses and Change in Net Position	8
Statement of Cash Flows	9 - 10
Notes to Financial Statements	11 - 17
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*	18 - 19

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 7, 2016

To the Board of Directors of
Monroe NewPower Corporation:

Report on the Financial Statements
We have audited the accompanying financial statements of Monroe Newpower Corporation (MNP), (a discretely presented component unit of the County of Monroe, New York), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise MNP'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 of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MNP, as of December 31, 2015, and the 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.

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 3–6 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016 on our consideration of MNP'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 MNP's internal control over financial reporting and compliance.

Bonadio & Co., LLP

The Management's Discussion and Analysis (MD&A) of Monroe Newpower Corporation (MNP) provides an introduction and overview of the financial statements of MNP for the year ended December 31, 2015. Following this MD&A are the financial statements of MNP together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of MNP exceeded its assets at December 31, 2015 and 2014 by $5.70 million and $5.21 million, respectively.
- MNP's net position decreased by $492 thousand and $896 thousand as a result of 2015 operations and 2014 operations, respectively.
- MNP's total revenues (operating and non-operating) were $6.38 million and $8.04 million in 2015 and 2014, respectively.
- MNP's total expenses (operating and non-operating) were $6.87 million and $8.93 million in 2015 and 2014, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of MNP are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when its related cash receipt or disbursement occurs.

The Statement of Net Position depicts MNP's financial position at December 31, the end of MNP's fiscal year. The statement presents all the financial assets and liabilities of MNP. Net position represents MNP's assets after liabilities are deducted.

The Statement of Revenue, Expenses and Change in Net Position reports operating revenues and expenses, nonoperating revenues and expenses, and the changes in net position for the year ended December 31. The change in net position combined with the previous year's net position total, reconciles to the net position total for the reporting period.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Cash Flows reports cash activities for the year resulting from operating activities, investing activities, and capital and related financing activities. The net result of these activities, added to the beginning of the year cash balance, reconciles to the total cash balance at the end of the year.

NOTES TO FINANCIAL STATEMENTS

The financial statements also include notes that explain the information in the financial statements. They are essential to a full understanding of the data provided in the financial statements.

MONROE NEWPOWER CORPORATION

The analysis below summarizes the statements of net position (Table 1) and changes in net position (Table 2) of MNP as of and for the years ended December 31, 2015 and 2014.

Table 1 - Statements of Net Position

	2015	2014
Assets:		
Current assets	$ 3,970,708	$ 3,879,361
Non-current assets	15,879,630	17,248,954
Total assets	19,850,338	21,128,315
Liabilities:		
Current liabilities	931,498	990,106
Long-term liabilities	24,623,537	25,350,591
Total liabilities	25,555,035	26,340,697
Net position:		
Net investment in capital assets	(14,348,086)	(13,937,480)
Restricted for debt service	4,225,906	4,224,135
Restricted for County/MCC reserves	450,000	328,787
Unrestricted	3,967,483	4,172,176
Total net position	$ (5,704,697)	$ (5,212,382)

At December 31, 2015 cash totaled $1.2 million, an increase of $121 thousand over 2014. Accounts receivable decreased by $75 thousand. Accounts payable decreased by $40 thousand. Both of these changes were related to the timing of cash into and out of MNP.

The Energy Supply Agreement asset ($3.4 million at December 31, 2015 and $3.6 million at December 31, 2014) decreased $179 thousand in 2015, recognizing the annual amortization expense.

Other major assets include funds reserved for debt service payments, both the current and noncurrent portions, totaling $4.2 million at December 31, 2015 and at December 31, 2014. Prepaid assets include annual insurance premiums paid in advance.

Capital assets and long-term debt liabilities are discussed elsewhere in this management's discussion and analysis.

MONROE NEWPOWER CORPORATION (Continued)

Table 2 shows the changes in net position for the years ended December 31, 2015 and 2014.

Table 2 - Changes in Net Position

	2015	2014
Revenues:		
Charges for services	$ 6,336,622	$ 7,912,246
Lease and other income	38,317	125,540
Interest income	2,754	867
Total revenues	6,377,693	8,038,653
Expenses:		
Cost of commodities	2,498,817	3,470,563
Interest expense	1,448,988	1,505,533
Professional services	1,570,606	1,866,299
Depreciation/amortization	1,327,712	1,346,881
Other expense	23,885	389,862
Loss on sale of property	-	345,954
Closing costs on sale of property	-	9,173
Total expenses	6,870,008	8,934,265
Change in net position	$ (492,315)	$ (895,612)

The primary revenue source for MNP is derived from charges for services provided to its customers, Monroe County and Monroe Community College. Charges for services revenue decreased in 2015 by $1.6 million. The decrease in revenue recognized is related to the overall decrease in the cost of commodities purchased by MNP to provide co-generation services and the decrease in maintenance and repair expenses charged back to the customers. Lease income decreased as a result of the sale of the administration building in 2014 which housed Siemens Corporation, the tenant.

The most variable expense incurred is the cost of commodities (gas, fuel oil, and electric). These expenses totaled $2.5.million in 2015, representing a decrease of $972 thousand over 2014. The decrease in expenses was primarily due to all engines at the co-generation facility being fully operational in 2015. In 2014 catalytic converters had to be installed on the generators, causing delays which resulted in having to make more-expensive electricity purchases off the grid. Professional service contracts include a contract to manage the facility operation, as well as management and general contracts for legal, auditing and consulting services. Annual depreciation expense is recognized for capital assets and annual interest expense is recognized relating to the outstanding bonds, mortgage, and capital lease. In 2014, other expenses included costs associated with the sale of the administration building.

CAPITAL ASSETS

For each of the years ended December 31, 2015 and 2014, the impact of recording depreciation was $1.1 million and the primary reason for the decreases in capital assets. In addition, capital assets were impacted in 2014 by the sale of the land and building as well as the acquisition of capital equipment relating to the catalytic conversion project mandated by federal regulations.

CAPITAL ASSETS (Continued)

Table 3 - Capital assets, net of depreciation

	2015	2014
Category:		
Equipment	$ 10,275,451	$ 11,413,111
Total	$ 10,275,451	$ 11,413,111

DEBT ADMINISTRATION

MNP has debt outstanding on bonds payable, due to the issuance of variable rate Power Facility Revenue Bonds in 2003, of $24.7 million in 2015, and $25.4 million in 2014. As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2015 decreased by $715 thousand in 2014.

2016 BUDGET

MNP's 2016 budget has been approved and contains no significant changes from the operational results for 2015. No known matters exist at this time that would have a significant effect on the financial position of MNP or on its expected results of operations for the coming year.

CONTACTING MNP'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of MNP's finances and to demonstrate MNP's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Monroe Newpower Corporation, 50 West Main Street, Rochester, New York 14614 or through the website, www.monroenewpowerldc.com.

MONROE NEWPOWER CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS	
CURRENT ASSETS:	
Cash	$ 776,125
Cash - restricted	450,000
Accounts receivable	495,529
Prepaid expenses and other current assets	213,258
Limited use assets, current portion	2,035,796
Total current assets	3,970,708
NON-CURRENT ASSETS:	
Limited use assets, net of current portion	2,190,110
Capital assets, net of accumulated depreciation	10,275,451
Energy supply agreement, net of accumulated amortization	3,414,069
Total non-current assets	15,879,630
Total assets	19,850,338
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	215,989
Accrued interest on bonds payable	715,509
Total current liabilities	931,498
LONG-TERM LIABILITIES:	
Due and payable within one year -	
Bonds payable, net of discount of $10,365	685,468
Capital lease obligation	19,121
Total long-term liabilities due and payable within one year	704,589
Due and payable after one year -	
Bonds payable, net of discount of $176,206	23,808,794
Capital lease obligation	110,154
Total long-term liabilities due and payable after one year	23,918,948
Total long-term liabilities	24,623,537
Total liabilities	25,555,035
NET POSITION	
Net investment in capital assets	(14,348,086)
Restricted for -	
Debt service	4,225,906
County/MCC reserves	450,000
Unrestricted	3,967,483
Total net position	$ (5,704,697)

The accompanying notes are an integral part of these statements.

MONROE NEWPOWER CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUE:	
Charges for providing steam and electricity	$ 6,336,622
Total operating revenue	6,336,622
OPERATING EXPENSES:	
Program -	
Cost of commodities (gas, fuel oil, electric)	2,498,817
Professional services	1,272,359
Depreciation	1,137,660
Total program expenses	4,908,836
Management and general -	
Professional services	298,247
Amortization	190,052
Total management and general	488,299
Total operating expenses	5,397,135
OPERATING INCOME	939,487
NON-OPERATING INCOME (EXPENSES):	
Interest income	2,754
Interest expense	(1,448,988)
Other expense	(23,885)
Lease and other income	38,317
Total non-operating expenses	(1,431,802)
CHANGE IN NET POSITION	(492,315)
NET POSITION - beginning of year	(5,212,382)
NET POSITION - end of year	$ (5,704,697)

The accompanying notes are an integral part of these statements.

MONROE NEWPOWER CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOW FROM OPERATING ACTIVITIES:	
Receipts from providing steam and electricity	$ 6,411,968
Payments for cost of commodities (gas, fuel oil, electric)	(2,573,438)
Payments for management contract	(1,272,359)
Payments for professional services	(259,476)
Net cash flow from operating activities	2,306,695
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment for other expenses	(23,885)
Payment on capital lease obligation	(18,252)
Payment on bonds payable	(719,167)
Net cash flow from capital and related financing activities	(761,304)
CASH FLOW FROM INVESTING ACTIVITIES:	
Deposits into and interest earned on limited use assets	(2,175,200)
Proceeds from sales of limited use assets	2,173,429
Receipts from other income	38,245
Receipts from interest	2,754
Payments for interest	(1,464,097)
Net cash flow from investing activities	(1,424,869)
CHANGE IN CASH	120,522
CASH - beginning of year	1,105,603
CASH - end of year	$ 1,226,125

The accompanying notes are an integral part of these statements.

MONROE NEWPOWER CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

RECONCILIATION OF OPERATING INCOME	
TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Operating income	$ 939,487
Net cash flow from operating activities:	
Depreciation and amortization	1,327,712
Changes in:	
Accounts receivable	75,346
Prepaid expenses and other current assets	4,525
Accounts payable and other liabilities	(40,375)
Net cash flow from operating activities	$ 2,306,695

The accompanying notes are an integral part of these statements.

1. THE CORPORATION

Monroe NewPower Corporation (MNP) was established in 2002 and is governed by its Articles of Incorporation, bylaws, and general laws of the State of New York. MNP produces high-pressure and low-pressure steam and electricity for its two customers: the County of Monroe (the County) and Monroe Community College (MCC). MNP is included as a discretely presented component unit within the County's basic financial statements due to the County's ability to impose its will on MNP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

GASB requires the classification of net position into three categories defined as follows:

- Net investment in capital assets - This component of net position 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 applicable. 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

- Unrestricted net position - This component of net position consists of net position that do not meet the definition of "net investment in capital assets," or "restricted."

When both restricted and unrestricted resources are available for use, it is MNP's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash

Cash includes cash on hand, demand deposits and savings accounts.

Accounts Receivable

Accounts receivable at December 31, 2015 is composed of receivables for steam and electricity provided to MNP's customers. MNP provides an allowance for doubtful accounts based on specific review of outstanding balances. As of December 31, 2015, no allowance for doubtful accounts was considered necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited Use Assets
Under the terms of its bonds payable agreement, MNP maintains investment accounts for debt service and debt service reserve funds. These assets have been reflected as "limited use assets" in the accompanying statement of net position. The current portion of the limited use assets consists of amounts in the debt service fund that will be used to pay the subsequent year's bond principal and interest payments as they become due. Additionally, amounts are transferred to this account during the year to meet the debt service obligations.

MNP's limited use assets consist of government money market funds and mortgage-backed securities. The government money market mutual funds are recorded at fair value based upon quoted market prices.

Fair value of MNP's mortgage-backed securities is valued at the quoted price of the underlying assets of the pool.

Capital Assets
Capital assets are stated at cost or, if donated, at fair value at the date of contribution. MNP capitalizes fixed asset purchases greater than $1,000 that have useful lives greater than one year. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for routine repairs and maintenance are expensed as incurred.

Depreciation is provided using the straight-line method over the assets' estimated useful lives as follows:

Class of Property	Useful Life in Years
Buildings and improvements	30
Equipment	20

Energy Supply Agreement
In connection with the acquisition of certain assets, MNP recognized an energy supply agreement for the difference between the amounts paid to acquire the tangible assets and the fair value of tangible assets acquired. The energy supply agreement is being amortized using the straight-line method over the 32-year term of the agreement with the County.

Revenue Recognition
Charges for providing steam and electricity are recognized as revenue as the steam and electricity are provided to MNP's customers.

Non-Operating Income (Expenses)
All interest income, interest expense and lease and other income are related to capital and investing activities that normally are not reported as components of operating income. These items are considered non-operating activities in the accompanying statement of revenues, expenses, and change in net position.

Income Taxes
MNP is exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1992 C.C. 418 as a governmental unit or affiliate of a governmental unit as described in the Procedure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Policies

MNP follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; provide sufficient liquidity of invested funds in order to meet obligations as they become due, and earn the maximum yield possible. MNP is incorporated as a not-for-profit and as such is not required to maintain collateral on its accounts.

MNP's monies must be deposited in a bank or banks designated by the Board of Directors; and to the extent practicable, consistent with the cash requirements of the MNP, all such money shall be deposited in interest bearing accounts.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. MNP has an investment policy that diversifies investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

MNP's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Direct or indirect obligations of the State or any municipality, instrumentality, or political subdivision thereof, or the United States of America or any instrumentality thereof;

- Obligations, the full and timely payment of the principal and interest of which are directly and unconditionally guaranteed by the State or United States of America;

- Bankers' acceptances of, or certificates of deposits issued by, or time deposits or other banking arrangements or deposits with a Bank with a rating of investment grade at all times by a Rating Agency;

- Commercial paper of any Corporation which has been classified for rating purposes by a Rating Agency as Prime - 1 and by Standard & Poor's as A-1;

- Money market funds or other mutual funds which have been classified with at least an AAA rating as determined by Standard & Poor's Rating Group or AAA rating as determined by Moody's Investor's Service, Inc.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Cash
Total cash and investments in limited use assets by type, including deposits held by the trustee, as of December 31, 2015 are as follows:

	Carrying Values	Bank Balances
U.S. government money market funds	$ 4,225,906	$ 4,225,906
Cash	1,226,125	1,227,975
	$ 5,452,031	$ 5,453,881

Credit Risk
MNP's deposits, excluding amounts controlled by the Trustee, held with two financial institutions that each hold at least five percent or more of MNP's total deposits at December 31, 2015 totaled $1,226,125.

Restricted Cash
In order to meet cash flow requirements, avoid late payment charges and provide for emergencies, MNP is authorized to add a 5% general administrative fee to the County monthly bill and the MCC monthly bill until a balance of $250,000 and $200,000 is reached respectively for each customer. Upon expiration or termination of the agreement with MNP, any remaining funds shall be returned to the respected parties. For this reason the balance of these reserves is restricted in its use to MNP. Total restricted cash at December 31, 2015 was $450,000.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of receivables for steam and electricity provided to customers. Accounts receivable consisted of the following at December 31, 2015:

Monroe County	$ 291,555
Monroe Community College	198,902
Other	5,072
	$ 495,529

Concentrations - Revenue
For the year ended December 31, 2015, approximately 59% and 40% of total operating revenue was from Monroe County and MCC, respectively.

5. CAPITAL ASSETS

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

	Balance 01/01/15	Additions	Deletions	Transfers	Balance 12/31/15
Equipment	$ 22,753,190	$ -	$ -	$ -	$ 22,753,190
Less: Accumulated depreciation:					
Equipment	(11,340,079)	(1,137,660)	-	-	(12,477,739)
Total capital assets, net	$ 11,413,111	$ (1,137,660)	$ -	$ -	$ 10,275,451

6. ENERGY SUPPLY AGREEMENT

Amortization expense related to the energy supply agreement was $179,687 for the year ended December 31, 2015 and is estimated to remain at that amount through 2034. Unamortized energy supply agreement costs were as follows at December 31, 2015:

Energy supply agreement	$ 5,750,000
Less: Accumulated amortization	(2,335,931)
Unamortized energy supply agreement costs	$ 3,414,069

7. LONG-TERM DEBT

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

Description	Balance 01/01/15	Increases	Decreases	Balance 12/31/15	Due in One Year	Due in More Than One Year
Bonds payable	$ 25,400,000	$ -	$ (719,167)	$ 24,680,833	$ 695,833	$ 23,985,000
Bond discount	(196,936)	-	10,365	(186,571)	(10,365)	(176,206)
Bonds payable, net	$ 25,203,064	$ -	$ (708,802)	$ 24,494,262	$ 685,468	$ 23,808,794
Capital lease	$ 147,527	$ -	$ (18,252)	$ 129,275	$ 19,121	$ 110,154

Bonds Payable

The Series 2003 Variable Rate Power Facilities Revenue Bonds maturing in January 2034 are collateralized under provisions of the indenture and loan agreements between MNP (the Issuer) and M&T Bank (the Trustee). The proceeds of the bond issue were used to finance the acquisition, renovation, furnishing and equipping of the administration building. The bonds require semi-annual principal payments ranging from $230,000 to $1,060,000, plus interest at rates ranging from 3.3% to 6.4%.

Future maturities of bonds payable are as follows at December 31:

	Principal	Interest
2016	$ 695,833	$ 1,421,456
2017	800,000	1,374,759
2018	850,000	1,323,122
2019	905,000	1,267,978
2020	970,000	1,209,169
2021 - 2025	5,835,000	5,031,891
2026 - 2030	7,780,000	3,106,831
2031 - 2034	6,845,000	773,300
	$ 24,680,833	$ 15,508,506

7. LONG-TERM DEBT (Continued)

Capital Lease Obligation

In March 2007, MNP entered into an agreement with a bank requiring annual payments of $25,274, including interest at 4.76%, through June 2021 that meets the criteria for recognition as a capital lease. The capital lease obligation is collateralized by the related equipment. This lease agreement states that at the date of maturity, MNP will have clear title of the equipment.

Future scheduled payments under this agreement are as follows for the years ending December 31:

	Principal	Interest
2016	$ 19,121	$ 6,153
2017	20,031	5,243
2018	20,984	4,290
2019	21,983	3,291
2020	23,030	2,245
2021	24,126	1,148
	$ 129,275	$ 22,370

Interest paid on all financing arrangements for the year ended December 31, 2015 was $1,467,221. The cost of assets under capital lease was $281,187 at December 31, 2015. Accumulated amortization was $119,957 at December 31, 2015. Amortization expense and accumulated amortization on the assets under capital lease is included in depreciation expense and capital assets, net of accumulated depreciation, respectively, in the accompanying financial statements.

8. COMMITMENTS

Energy Supply Contract

MNP has entered into an energy supply contract with the County to be the exclusive supplier of energy to certain County facilities through December 31, 2035. The contract requires the County and MCC to pay MNP a County Service Charge annually in an amount which shall be calculated based upon the previous year's cost plus the lesser of 3% or the Western New York Consumer Price Index. The County Service Charge was $1,272,359 for 2015. In addition to the County Service Charge, the County and MCC will pay MNP for thermal and electrical energy in accordance with an agreed-upon formula based upon actual usage. The County and MCC are also required to pay a fixed cost, which is based upon the amount of debt service paid by MNP for construction of the new power plant. The amount charged to the County and MCC related to the debt service was $2,173,431 for 2015. The County and MCC are also required to pay administrative costs, project costs specific to their respective buildings, and a 5% administrative fee until the specified reserve is reached. The required reserve for the County and MCC is $250,000 and $200,000 respectively. At December 31, 2015 both the County and MCC had reached the required reserve balance.

8. COMMITMENTS (Continued)

Installation, Operation and Maintenance Agreement

MNP has entered into an installation, operation and maintenance agreement with Siemens that ended on December 31, 2015. The agreement required MNP to pay installation costs to Seimens totaling $20,500,000 for the construction of the new power plant. These costs were fully paid through 2005. In addition, MNP agreed to pay an operating fee annually through 2015 based upon the prior year's fee plus the lesser of 3% or the Western New York Consumer Price Index. The operating fee was $1,272,359 for 2015. The operating fee is referred to as professional services in the operating expenses section of the accompanying statement of activities and change in net position.

Subsequent to year-end, MNP and Siemens entered into a new agreement for operation and maintenance of the power plant. The operating fee is equal to $899,970 for 2016, and annually thereafter in an amount which shall be based on the previous year's operating fee plus the percentage annual increase in the North East Urban Consumer Price Index.

Leases

MNP has an operating lease agreement with MCC for space that requires MNP to make annual rent payments of $1 through December 2034.

MNP has an operating lease agreement with the County for space that requires MNP to make annual rent payments of $1 through December 2034.

9. ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. MNP is required to adopt the provisions of this Statement for the year ending December 31, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. MNP is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted.

Bonadio & Co., LLP
Certified Public Accountants

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

March 7, 2016

To the Board of Directors of
Monroe NewPower Corporation:

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 Monroe Newpower Corporation (MNP) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise MNP's basic financial statements, and have issued our report thereon dated March 7, 2016.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered MNP'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 MNP'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.

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

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

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

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

Bonadio & Co., LLP