MONROE SECURITY & SAFETY SYSTEMS LOCAL DEVELOPMENT 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 SECURITY & SAFETY SYSTEMS LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

TABLE OF CONTENTS

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 7, 2016

To the Board of Directors of
Monroe Security & Safety Systems Local Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Monroe Security & Safety Systems Local Development Corporation (the Corporation) (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 the Corporation'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 the Corporation, as of December 31, 2015, and the changes in its financial position and its cash flows 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 the Corporation'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 Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2015

The following Management's Discussion and Analysis (MD&A) of Monroe Security & Safety Systems Local Development Corporation's (the Corporation) financial position provides an overview of the Corporation's financial activities for the years ended December 31, 2015 and 2014. The MD&A should be read in conjunction with the Corporation's financial statements and related notes, which follow the MD&A.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Corporation exceeded its liabilities at December 31, 2015 and 2014 by $17.96 million and $13.21 million, respectively.
- The Corporation's net position increased in 2015 and 2014 by approximately $4.75 million and $4.34 million, respectively, as a result of operations.
- The Corporation's total operating revenues were $8.65 million and $8.34 million in 2015 and 2014, respectively.
- The Corporation's total operating expenses were $3.87 million and $4.20 million in 2015 and 2014, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Corporation 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 the Corporation's financial position at December 31, the end of the Corporation's fiscal year. The statements present all the financial assets, deferred outflows, and liabilities of the Corporation with the difference between them reported as net position.

The Statement of Revenues, Expenses and Changes in Net Position reports operating revenues and expenses, non-operating 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.

FINANCIAL ANALYSIS

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

Table 1 - Statements of Net Position

	2015	2014
Assets:		
Current assets	$ 7,770,762	$ 5,711,700
Non - current assets	62,205,150	63,468,794
Total assets	69,975,912	69,180,494
Deferred outflows:		
Deferred amount on interest rate swap	-	398,375
Total deferred outflows	-	398,375
Liabilities:		
Current liabilities	1,926,140	2,799,457
Long-term liabilities	50,085,000	53,568,375
Total liabilities	52,011,140	56,367,832
Net position:		
Net investment in capital assets	732,610	-
Restricted for debt service	1,760,528	971,182
Unrestricted	15,471,634	12,239,855
Total net position	$ 17,964,772	$ 13,211,037

The Corporation’s total assets increased approximately $795 thousand in 2015. The principal components of this change include an increase of approximately $1.3 million in cash (reflecting the results of operations), an increase of approximately $789 thousand in limited use assets, an increase of approximately $732 thousand in capital assets, and a reduction of approximately $2.09 million in the Direct Financing Lease.

Deferred outflows declined $398 thousand in 2015, reflecting the termination of the interest swap agreement in 2015, eliminating both the deferred outflow and the liability.

Total liabilities decreased approximately $4.36 million in 2015. The principal components of this change include a reduction of approximately $3.5 million in long term liabilities due to debt payments made plus a decrease of approximately $796 thousand in accounts payable.

FINANCIAL ANALYSIS (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:		
Maintenance and support services	$ 8,002,704	$ 6,949,501
Interest on investment in direct financing lease	645,881	1,393,651
Total revenues	8,648,585	8,343,152
Expenses:		
Interest and bank fees	1,630,505	2,291,234
Management services and support	1,143,165	1,110,057
Network management and maintenance	789,837	506,350
Professional fees	306,903	293,013
Total expenses	3,870,410	4,200,654
Operating income	4,778,175	4,142,498
Other income	2,723	207,503
Rent and other expense	(27,163)	(14,307)
Total nonoperating income	(24,440)	193,196
Change in net position	$ 4,753,735	$ 4,335,694

Total operating revenues increased approximately $305 thousand 2015. This change is principally driven by an increase of approximately $1.05 million in maintenance and support services (including scheduled lease payments in accordance with the County contract), offset by a decrease of approximately $748 thousand in interest on investment in the direct financing lease.

Total operating expenses decreased approximately $330 thousand in 2015. This change is principally driven by an increase of approximately $283 thousand in network management and maintenance expense. Expenses in this category vary each year depending on the planned level of activity required for on-going services. Offsetting the increase in expenses was a reduction of approximately $661 thousand in interest and bank fees, reflecting the termination of the interest swap agreement.

FUTURE FACTORS

The Corporation will continue its ongoing administrative, maintenance and operating activities in support of Monroe County's public safety needs. No significant refresh activity is scheduled until 2016 when refresh of the current fleet of Mobile Data Terminals (MDTs) is currently planned to begin (subject to customer scheduling direction). The Corporation will continue to seek potential new customers for services relating to secure data storage, security camera monitoring, dispatch services, and digital radio communications.

The Corporation's Board approved a resolution to take all steps necessary to dissolve and to work with the County of Monroe to transition its functions, assets and liabilities to the County. The Corporation is in the process of planning for this transition.

CONTACTING ADMINISTRATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Corporation's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact Monroe Security & Safety Systems Local Development Corporation, at 50 West Main Street, Suite 8100, Rochester, New York, 14614.

MONROE SECURITY & SAFETY SYSTEMS LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS	
CURRENT ASSETS:	
Cash	$ 3,108,057
Prepaid expenses and other current assets	121,282
Investment in direct-financing lease, current portion	4,541,423
Total current assets	7,770,762
NONCURRENT ASSETS:	
Investment in direct-financing lease, net of current portion	59,712,012
Capital assets	732,610
Limited use assets	1,760,528
Total noncurrent assets	62,205,150
Total assets	69,975,912
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	1,926,140
Total current liabilities	1,926,140
LONG-TERM LIABILITIES:	
Due and payable within one year -	
Bonds payable	3,540,000
Total long-term liabilities due and payable within one year	3,540,000
Due and payable after one year -	
Bonds payable	46,545,000
Total long-term liabilities due and payable after one year	46,545,000
Total long-term liabilities	50,085,000
Total liabilities	52,011,140
NET POSITION	
Net investment in capital assets	732,610
Restricted for debt service	1,760,528
Unrestricted	15,471,634
Total net position	$ 17,964,772

The accompanying notes are an integral part of these statements.

MONROE SECURITY & SAFETY SYSTEMS LOCAL DEVELOPMENT 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:	
Maintenance and support services	$ 8,002,704
Interest on investment in direct financing lease	645,881
Total operating revenue	8,648,585
OPERATING EXPENSES:	
Project costs -	
Interest and bank fees	1,630,505
Management services and support	1,143,165
Network management and maintenance	789,837
Total project costs	3,563,507
Administration -	
Professional fees	306,903
Total administration	306,903
Total operating expenses	3,870,410
OPERATING INCOME	4,778,175
NONOPERATING INCOME (EXPENSE)	
Other income	2,723
Other expense	(27,163)
Total nonoperating income	(24,440)
CHANGE IN NET POSITION	4,753,735
NET POSITION - beginning of year	13,211,037
NET POSITION - end of year	$ 17,964,772

The accompanying notes are an integral part of these statements.

MONROE SECURITY & SAFETY SYSTEMS LOCAL DEVELOPMENT 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 maintenance and support services	$ 8,002,704
Receipts from interest on investment in direct financing lease	645,881
Payments for interest and bank fees	(1,726,167)
Payments for network management and maintenance	(768,304)
Payments for management services	(1,100,968)
Payments for professional fees	(322,592)
Net cash flow from operating activities	4,730,554
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(725,626)
Repayment on bonds payable	(3,085,000)
Net cash flow from financing activities	(3,810,626)
CASH FLOW FROM INVESTING ACTIVITIES:	
Investment in direct-financing lease	(2,718,582)
Payments under direct-financing lease	3,957,709
Purchases of limited use assets	(15,787,522)
Proceeds from sale of limited use assets	14,998,175
Proceeds from other income	2,723
Payments for other expenses	(27,163)
Net cash flow from investing activities	425,340
CHANGE IN CASH	1,345,268
CASH - beginning of year	1,762,789
CASH - end of year	$ 3,108,057
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Operating income	$ 4,778,175
Changes in:	
Prepaid expenses and other current assets	(21,929)
Accrued interest	(95,662)
Accounts payable	69,970
Net cash flow from operating activities	$ 4,730,554
NON-CASH TRANSACTIONS:	
Radio equipment included in accounts payable at year-end	$ 6,984
Addition to direct-financing lease included in accounts payable at year-end	$ 1,684,439

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

Monroe Security & Safety Systems Local Development Corporation (the Corporation), a discretely presented component unit of the County of Monroe, New York (the County), is a New York not-for-profit corporation organized in May 2009 to provide certain public safety and related security services to the County. No activity occurred until May 14, 2010, when the Corporation closed on the initial bond issuance. The Corporation was formed as a local development corporation of the County. The Corporation 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 the Corporation.

The Service Agreement (the Agreement) between the County and the Corporation engaged the Corporation to design and implement an approximately $82 million multi-faceted public safety capital program principally comprised of radio communications infrastructure; paging, mobile data, access, and video control systems; physical security improvements; and a Monitoring and Reaction Center (the Project) for the County and certain component units, as well as provide on-going services and equipment purchases in support of the County's existing legacy public safety enterprises. The project began in 2010 and certain components were fully operational in 2015. On-going services and equipment refresh activities for the major components of the project identified above are scheduled to continue on a yearly basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation'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 does not meet the definition of "net investment in capital assets," or "restricted".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)
When both restricted and unrestricted resources are available for use, it is the Corporation'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.

Capital Assets
Capital assets are recorded at cost, if purchased, or fair value at the date of donation. The Corporation capitalizes equipment purchases with a cost greater than $1,000, and which have useful lives greater than one year. Capital assets consist of radio equipment used by emergency medical service (EMS) agencies within the County. Depreciation is provided using the straight-line method over the assets' estimated useful lives, or five (5) years, or the lease term, whichever is shorter.

Investment in Direct-Financing Lease
The cost of the Project purchased by the Corporation and leased to the County is recorded as a direct-financing lease. Unearned income is calculated using the interest rate in place on the bonds that were issued to facilitate the purchase of the underlying equipment. Lease principal payments are recognized concurrent with the repayment schedule on the outstanding bonds. Investment in direct-financing lease is stated at unpaid principal balances, less an allowance for losses, if applicable. Management periodically evaluates the lease for collectability based on inherent collection risks and adverse situations that may affect the County's ability to repay. If no contractual payments have been received for a period of time the lease would be considered delinquent. After all collection efforts are exhausted, any amounts deemed uncollectible based upon an assessment of the debtor's financial condition are written off. As of December 31, 2015, management determined that an allowance is not necessary.

Limited Use Assets
Limited use assets consist of funds required under the bond indenture and are invested by the trustee in money market funds, commercial paper, mortgage backed securities or U.S. government obligations and are recorded at fair market value based on quoted market prices. Interest, dividends, investment management fees, and gains (losses) on limited use assets are shown as investment gain, net in the accompanying financial statements. Limited use assets are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain limited use assets, it is at least reasonably possible that changes in the values of limited use assets will occur in the near term and that such change could materially affect the amounts reported in the accompanying financial statements.

Income Taxes
The Corporation 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.

Revenue Recognition

- Interest on investment in direct-financing lease - The interest imputed over the term of the projected direct-financing lease is recorded in this financial category.

- Maintenance and support services - Under the Corporation's agreement with the County, annual payments received are also intended to cover operating costs such as maintenance of equipment and technology upgrades incurred in connection with the agreement. The portion of the County's annual payment not allocated to interest or payment of principal is recorded as maintenance and support revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the funds invested or deposited; provide sufficient liquidity of invested funds to be available as needed to meet the obligations of the Corporation; and funds shall be invested to earn the maximum yield possible given the first two objectives.

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

The Corporation is incorporated as a not-for-profit and as such is not required to maintain collateral on its accounts.

Interest Rate Risk

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

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation'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)

Total cash and limited use assets by type as of December 31, 2015 are as follows:

	Carrying values	Bank balances
U.S. government money market funds	$ 1,760,528	$ 1,760,528
Cash	3,108,057	3,180,949
	$ 4,868,585	$ 4,941,477

All of the Corporation's deposits were invested in one financial institution at December 31, 2015.

4. CAPITAL ASSETS

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

	Balance 01/01/15	Additions	Deletions	Balance 12/31/15
Depreciable capital assets:				
Equipment	$ -	$ 732,610	$ -	$ 732,610
Total depreciable capital assets	-	732,610	-	732,610
Less: Accumulated depreciation on equipment	-	-	-	-
Total capital assets, net	$ -	$ 732,610	$ -	$ 732,610

In December 2015, the Corporation purchased radio equipment to be used by EMS agencies throughout the County. The radio equipment was delivered to the EMS agencies at the end of 2015 and the Corporation will begin to depreciate the equipment over its useful life in 2016 when the equipment has been placed in service by the EMS agencies.

5. INVESTMENT IN DIRECT-FINANCING LEASE

The Corporation has leased its equipment to the County under the terms of a direct-financing lease agreement that states that the Corporation will be paid average annual payments of approximately $10,600,000 per year by the County, which commenced May 15, 2010 and terminates on March 15, 2029. The annual lease payments also cover certain operating costs such as maintenance, technology upgrades and license fees. The annual continuation of this agreement is solely dependent upon appropriations granted by the County Legislature under the annual budgetary process and therefore is not guaranteed. The portion of the annual lease payments relating to the operating costs and future equipment upgrades have not been included in the investment in direct-financing lease on the accompanying statement of net position. The following table summarizes the components of the direct-financing lease at December 31, 2015:

Future lease payments - gross	$ 68,152,358
Less: Unearned income (0.01% interest)	(3,898,923)
Investment in direct-financing lease	64,253,435
Less: Current portion	(4,541,423)
Long-term portion	$ 59,712,012

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

2016	$ 4,541,423
2017	4,509,351
2018	4,874,974
2019	5,259,840
2020	5,663,950
2021 - 2025	28,781,587
2026 - 2029	10,622,310
	$ 64,253,435

Revenue Concentration

In 2015, the County accounted for 92% of total revenue for the Corporation.

6. BONDS PAYABLE

The Corporation issued Series 2010 Variable Rate Demand Revenue Bonds (the Bonds) in order to fund the Project. The Bonds were issued on May 14, 2010 in the amount of $59,335,000 and mature on June 1, 2029. The bondholders are paid interest monthly at a variable rate (0.01% at December 31, 2015) as determined by the Remarketing Agent at the bank weekly. The Bonds are subject to redemption, prior to maturity, at the option of the issuer. The Bonds are collateralized under the terms of the bond agreement. The collateral on the bonds is an interest in the Corporation's management contract with the County (see Note 7) and an interest in the Corporation's lease with the County (see Note 4). Cash paid for interest was $509,606 in 2015. Interest expense was $413,944 in 2015.

The bond agreement requires a letter of credit to be maintained with the bank in the amount of $50,563,955, of which $50,085,000 is available to pay the principal on the bonds and $478,955 is available to pay interest on the bonds. The letter of credit may be reduced as the outstanding principal is reduced. On May 14, 2015, the letter of credit expiration date was extended to May 14, 2017, at which time the Bonds will be callable. The bonds are subject to mandatory sinking fund installments on June 1 of each year, and are used to repay the outstanding bonds and will continue annually each year until the outstanding principal amount of the bonds has been paid.

Long-term bond 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
Series 2010 Variable Rate Demand Revenue Bonds	$ 53,170,000	$ -	$ (3,085,000)	$ 50,085,000	$ 3,540,000	$ 46,545,000

The schedule of sinking fund repayments is as follows:

Payment Date	Installment
2016	$ 3,540,000
2017	3,515,000
2018	3,800,000
2019	4,100,000
2020	4,415,000
2021 - 2025	22,435,000
2026 - 2029	8,280,000
	$ 50,085,000

The bonds contain a remarketing feature that permits the bonds to be remarketed on a weekly basis for purposes of resetting interest rates on the outstanding bonds. Failure of the bonds to be remarketed would require the use of the Corporation's letter of credit to purchase any un-marketed bonds. In the event a tender advance is made on the letter of credit, the Corporation would be required to repay the bank subject to the terms of the agreement on demand.

6. BONDS PAYABLE (Continued)

Letter of Credit Covenants

In connection with the letter of credit agreement, the Corporation is required to meet certain financial and operational covenants. As of December 31, 2015, the Corporation was in compliance with these covenants.

7. COMMITMENTS

Management Services Agreement

The Corporation has a long-term contract with the County known as the Security and Safety Systems Services Agreement (the Agreement). Under the sixth amendment of the Agreement, effective April 1, 2014, the County provides certain administrative services to manage and support the day-to-day business activities of the Corporation. The Corporation is billed by the County quarterly, based on the actual cost incurred. The management fee for these services was $458,077 in 2015. At December 31, 2015, the Corporation had a liability to the County in the amount of $126,228.

8. 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. The Corporation 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. The Corporation 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.

9. SUBSEQUENT EVENT

On January 21, 2016, the Corporation's Board approved a resolution to take all steps necessary to dissolve the Corporation and to work with the County to transition its functions, assets and liabilities to the County. The Corporation is in the process of planning for this transition.

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 Security & Safety Systems Local Development 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 Security & Safety Systems Local Development Corporation (the Corporation), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation'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 the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 the Corporation'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