

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Financial Statements As of  
March 31, 2023**

**Together With Independent  
Auditor's Report**

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

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

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**INDEPENDENT AUDITOR'S REPORT**

June 22, 2023

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

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements 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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of March 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis For Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 16 to the financial statements, during the year ended March 31, 2023, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management For the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

***Responsibilities of Management For the Financial Statements (Continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities For the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Matters***

***Report on Summarized Comparative Information***

We have previously audited the Authority's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of contributions - pension plans, proportionate share of net pension liability (asset) and changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023, 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 solely 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 the effectiveness of the Authority's 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, 2023**

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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, materials 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, Lewis, and St. Lawrence Counties.

The Materials 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 4,300 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'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 Authority supports economic development and works to improve the economic viability and well-being of the North Country by forming strong partnerships with local, state, and federal organizations to promote business and housing development throughout the region. The Authority administers several loan programs to promote job creation and retention among small businesses. The Authority also provides funding for the development of quality, affordable housing in Jefferson, Lewis, and St. Lawrence Counties through its housing programs.

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

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Management's Discussion and Analysis (Unaudited)

March 31, 2023

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The Statement of Revenue, Expenses and Change in Net Position, or the 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, 2023. 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.

Pages noted as unaudited do not include numbers adjusted for GASB 87 for FY22.

#### Financial Highlights

- As of March 31, 2023, the assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows by \$159.7 Million. Of this amount, \$2.3 Million is unrestricted and undesignated and may be used to meet the Authority's ongoing obligations.
- The Authority's total revenues (operating and non-operating) were \$28.8 Million and \$26.2 Million in 2023 and 2022, respectively.
- The Authority's total expenses (operating and non-operating) were \$31.8 Million and \$29.0 Million in 2023 and 2022, respectively.

#### 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 13 and 14, 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 Governmental 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.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Management's Discussion and Analysis (Unaudited) March 31, 2023

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#### Summary of Operations and Change in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Operating revenue	\$ 28,441,824	\$ 27,110,570	\$ 1,331,254	4.9%
Operating expenses	<u>(31,204,352)</u>	<u>(28,323,726)</u>	<u>2,880,626</u>	10.2%
Operating loss	(2,762,528)	(1,213,156)	(1,549,372)	127.7%
Non-operating revenue, net	<u>(277,634)</u>	<u>(1,587,426)</u>	<u>1,309,792</u>	82.5%
Change in net position	<u>\$ (3,040,162)</u>	<u>\$ (2,800,582)</u>	<u>\$ (239,580)</u>	8.6%

- Operating revenues increased \$1.3 Million or 4.9%. The main increase was at the Materials Management Facility where revenue increased \$1.6 million or 16.9%. This was due to a combination of 29,580 additional tons received in FY2023 versus FY2022 and an increase in tip fees in order to fund facility reserves for future cell builds, cell closures and to replace equipment.
- Operating expenses increased \$2.9 Million or 10.2% due to:
  - Depreciation and amortization increased \$1.4 Million, with the majority due to the depreciation for Materials Management cells 12&13 which began at the end of FY22 and will be fully depreciated by FY27.
  - Closure and post closure costs increased \$479 Thousand. This was due to the increase in tons, the increase to tip fee reserve per ton and increase in interest received on closure/post closure investments.
  - Operating and maintenance increased \$422 Thousand due to overall increased costs associated with inflation, additional fuel needed to operate two landfills, and an increase in offnet circuit leases associated with Telecommunications.
- The increase in net non-operating revenue of \$1.3 Million is primarily due to an increase in investment income due to better interest rates and a reduction in market adjustments.



## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Management's Discussion and Analysis (Unaudited)

March 31, 2023

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#### Financial Position Summary

Net position is an indication of the Authority's financial strength. A summary of the Authority's net position is shown below.

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 12,829,761	\$ 10,110,783	\$ 2,718,978	26.9%
Loans receivable, net	30,999,447	30,027,297	972,150	3.2%
Investments	15,898,601	16,965,130	(1,066,529)	-6.3%
Funds held by trustee	837,843	799,937	37,906	4.7%
Other postemployment benefit reserve fund	5,751,911	5,627,433	124,478	2.2%
Restricted assets	84,317,735	82,724,838	1,592,897	1.9%
Net pension asset	1,725,909	-	1,725,909	100.0%
Capital assets, net	<u>77,111,360</u>	<u>81,108,008</u>	<u>(3,996,648)</u>	-4.9%
Total assets	<u>\$ 229,472,567</u>	<u>\$ 227,363,426</u>	<u>\$ 2,109,141</u>	0.9%
DEFERRED OUTFLOWS	<u>\$ 4,067,981</u>	<u>\$ 4,937,285</u>	<u>\$ (869,304)</u>	-17.6%
Liabilities:				
Current liabilities	5,356,630	4,133,594	1,223,036	29.6%
Other liabilities (long-term)	<u>60,406,137</u>	<u>58,834,460</u>	<u>1,571,677</u>	2.7%
Total liabilities	<u>\$ 65,762,767</u>	<u>\$ 62,968,054</u>	<u>\$ 2,794,713</u>	4.4%
DEFERRED INFLOWS	<u>\$ 8,034,258</u>	<u>\$ 6,548,972</u>	<u>\$ 1,485,286</u>	22.7%
Net Position:				
Invested in capital assets, net of related debt	57,697,867	60,948,685	(3,250,818)	-5.3%
Restricted	80,067,819	79,327,533	740,286	0.9%
Unrestricted	<u>21,977,837</u>	<u>22,507,467</u>	<u>(529,630)</u>	-2.4%
Total net assets	<u>\$ 159,743,523</u>	<u>\$ 162,783,685</u>	<u>\$ (3,040,162)</u>	-1.9%

- Current assets increased \$2.7 Million or 26.9% due to cash and cash Equivalents increasing by \$1.3 Million due to timing and Telecommunications Accounts Receivable increasing by \$1.3 Million due to pending USAC payments and a pending customer business being sold.
- Loans receivable, net increased \$972 Thousand or 3.2% due to additional loans that were closed on in FY23.
- Investments decreased \$1.1 Million or 6.3% due to a transfer of \$1 Million for planned capital project spending at the Materials Management Facility.
- Restricted assets increased \$1.6 Million or 1.9% due to the increase to Materials Management Reserves and the sale of the recycling transfer station in Harrisville, NY.
- Net pension assets increased \$1.7 Million or 100%. Each year the Authority complies with GASB 68 requirements. FY22 reflected a net liability and in FY23 reflected a net asset.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Management's Discussion and Analysis (Unaudited)

March 31, 2023

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- Capital Assets decreased \$4 Million or 4.9% due to disposal of assets associated with the sale of the recycling transfer station in Harrisville and from the depreciation for cells 12&13 in the southern expansion, which began at the end of FY22 and will be fully depreciated by FY27.
- Current liabilities increased \$1.2 Million or 29.6% primarily as a result of an increase in accounts payable of \$1.1 Million, which is due to the timing of large capital project payments and the current year USAC service provider payables due.
- Other liabilities increased \$1.6 Million or 2.7% due to increase in deferred revenue of \$1.8 Million mainly from the addition of five large Telecommunications contracts for FY23.

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 Materials 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, 2023, the Board of Directors designated the Authority's unrestricted net position for the following uses:

Administrative reserve / supplemental insurance	\$ 4,000,000
Infrastructure development	223,107
Capital reserves	867,621
Materials Management - tip fee stabilization and landfill gas reserves	6,241,367
Economic development fund	5,314,979
Affordable housing	<u>3,000,000</u>
	<u>\$ 19,647,074</u>

### Revenue

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

The Materials 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, post-closure care, and new cell construction.

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.

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Management's Discussion and Analysis (Unaudited)  
March 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Service and usage revenue:				
Materials Management				
Facility	\$10,875,020	\$9,303,739	\$1,571,281	16.9%
Water Quality operations	7,401,371	6,416,693	984,678	15.3%
Telecommunications Network	6,260,163	6,170,721	89,442	1.4%
Housing and Economic Development	277,247	115,074	162,173	140.9%
Engineering	<u>517,566</u>	<u>1,086,412</u>	<u>(568,846)</u>	-52.4%
Total service and usage revenue	25,331,367	23,092,639	2,238,728	9.7%
Grants from government sources	1,681,338	2,480,763	(799,425)	-32.2%
Interest received from outstanding loans	445,801	516,853	(71,052)	-13.7%
Landfill gas to energy revenue	572,551	546,832	25,719	4.7%
Miscellaneous operating revenue	<u>410,767</u>	<u>473,483</u>	<u>(62,716)</u>	-13.2%
Total operating revenue	<u>\$ 28,441,824</u>	<u>\$ 27,110,570</u>	<u>\$ 1,331,254</u>	4.9%

- Materials Management Facility revenues increased \$1.57 Million or 16.9% due to a combination of an additional 29,580 in tons received in FY 23 and from an increase in tip fees that began in Jan 2022 in order to fund facility reserves for future cell builds, to replace equipment, and for cell closures.
- Water Quality operations revenues increased \$985 Thousand or 15.3% due to a dry summer and an added Municipal water line that needed initial filling. The increase is also from the transfer of Engineering contracts to Water Quality for management services.
- Engineering operations revenues decreased \$569 Thousand or 52.4% due to the transfer of management services contracts to Water Quality operations and the focus of large internal capital projects.
- Housing and Economic Development revenues increased \$162 Thousand or 140.9% due to additional contracts, especially in housing.

**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: Materials 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>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Functional expenses:				
Materials Management facility	\$13,617,882	\$11,869,352	\$1,748,530	14.7%
Water Quality	6,910,383	5,965,986	944,397	15.8%
Telecommunications Network	8,636,236	7,813,491	822,745	10.5%
Housing and Economic Development	1,302,736	1,399,713	(96,977)	-6.9%
Engineering	504,790	1,086,583	(581,793)	-53.5%
Administration	<u>232,325</u>	<u>194,770</u>	<u>37,555</u>	19.3%
Total functional expenses	<u>\$ 31,204,352</u>	<u>\$ 28,329,895</u>	<u>\$ 2,874,457</u>	10.1%

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Management's Discussion and Analysis (Unaudited)

March 31, 2023

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- Materials Management Facility expenses increased \$1.7 Million or 14.7% due to an increase in fuel costs of \$175 Thousand mainly from operating in two landfills at the Materials Management Facility at the same time, an increase of \$478 Thousand for required reserve funding for closure/post closure care, and an increase in depreciation expense of \$940 Thousand, mainly from cells 12&13, which began at the end of FY22 and will end in FY27.
- Water Quality expenses increased \$944 Thousand or 15.8% as a result of an increase in water purchases of \$212 Thousand from increased water use and an increase in salaries of \$541 Thousand, mainly from the move of Engineering employees in FY23 to Water Quality for management services contracts.
- Telecommunications expenses increased \$823 Thousand or 10.5% because of an increase in depreciation expense of \$299 Thousand, equipment maintenance contracts of \$80 Thousand, offnet circuit leases for \$119 Thousand, and overall increase in operation expense due to inflation.
- Engineering expenses decreased \$582 Thousand or 53.5% due to the move of management services contracts to Water Quality operations.

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Operating expenses:				
Depreciation and amortization	\$10,323,899	\$8,896,356	\$1,427,543	16.0%
Salaries and fringe benefits	8,974,296	8,752,283	222,013	2.5%
Wastewater treatment	1,668,209	1,706,280	(38,071)	-2.2%
Community benefits	1,169,859	967,077	202,782	21.0%
Water purchases	873,649	660,743	212,906	32.2%
Operating and maintenance	4,865,834	4,443,932	421,902	9.5%
General and administrative	2,051,634	2,104,877	(53,243)	-2.5%
Closure and post-closure costs	<u>1,276,972</u>	<u>798,347</u>	<u>478,625</u>	60.0%
Total operating expenses	<u>\$ 31,204,352</u>	<u>\$ 28,329,895</u>	<u>\$ 2,874,457</u>	10.1%

- Salaries and wages expense increased \$222 Thousand or 2.5% due to annual wage increases.
- Operating and maintenance expense increased by \$422 Thousand or 9.5% mainly due to inflation and additional Telecommunications expenses associated with offnet circuit leases.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Management's Discussion and Analysis (Unaudited) March 31, 2023

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#### Non-Operating Revenue (Expense)

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Non-operating revenue (expense):				
Investment income	\$298,999	(\$953,096)	\$1,252,095	131.4%
Gain on sale of capital assets	66,122	13,500	52,622	389.8%
Bond Issuance Costs	(20,000)	-	(20,000)	-100.0%
Interest expense	<u>(622,755)</u>	<u>(647,830)</u>	<u>25,075</u>	-3.9%
Total	<u>\$ (277,634)</u>	<u>\$ (1,587,426)</u>	<u>\$ 1,309,792</u>	82.5%

- Investment income increased \$1.3 Million or \$131.4% as a result of an increase in interest rates and overall lower market adjustments.

#### Postemployment Benefits

The Authority contributes to the cost 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 has recorded a liability for other postemployment benefits in the amount of \$4,462,715. The Authority has a board designated investment account in the amount of \$5,766,268 for other postemployment benefits.

#### Capital Assets

At the end of 2023, the Authority had \$77,111,360 (net of accumulated depreciation) invested in a broad range of capital assets, including the Materials Management Facility, Telecommunications Network, Water Quality facilities, Engineering, equipment and vehicles. This amount represents a decrease of \$3,996,648 or 4.9% over last year. The decrease is mainly due to depreciation of cells of the Southern Expansion at the Material Management Facility. The detail of capital asset activity and balances for the various categories is included in the notes to the financial

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Management's Discussion and Analysis (Unaudited) March 31, 2023

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#### Long-Term Debt Administration

As of March 31, 2023, the Authority has the following revenue bond series outstanding:

Development Authority of the North Country Bond Series	Bonds	Bonds	Principal Due
	Outstanding as of March 2023	Outstanding as of March 2022	2024
Series 2015	\$ 6,730,000	\$ 7,005,000	\$ 285,000
Series 2019	<u>9,970,000</u>	<u>10,230,000</u>	<u>275,000</u>
Total	<u>\$ 16,700,000</u>	<u>\$ 17,235,000</u>	<u>\$ 560,000</u>

In addition to the bonds, the Authority had loans payable as of March 31, 2023 as follows:

Loans, Contract and Capital Lease Payables	Loans	Loans	Principal Due
	Outstanding as of March 2023	Outstanding as of March 2022	2024
Loans payable	<u>\$ 2,864,198</u>	<u>\$ 2,979,925</u>	<u>\$ 118,226</u>

#### Credit Ratings

The Authority is the recipient of a favorable credit rating from Standard & Poor's as a result of the 2019 Materials Management Bonds issued in fiscal year 2020. The Authority received a "AA-/Stable" outlook rating from Standard and Poor's in August 2019. 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 Chief Financial Officer at the Dulles State Office Building, 317 Washington Street, Watertown, New York 13601.

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Statement of Net Position**

**March 31, 2023**

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,010,512	\$ 5,749,003
Accounts receivable, net	4,382,833	3,123,568
Accrued unbilled revenue	605,762	538,407
Interest receivable	189,069	104,035
Inventory	16,280	18,209
Prepaid expense and other current assets	<u>625,305</u>	<u>577,561</u>
Total current assets	12,829,761	10,110,783
Loans receivable, net	30,999,447	30,027,297
Investments	15,898,601	16,965,130
Funds held by trustee	837,843	799,937
Other postemployment benefits reserve fund	5,751,911	5,627,433
Restricted assets	84,317,735	82,724,838
Net pension asset	1,725,909	-
Capital assets, non-depreciable	4,964,496	2,498,088
Capital assets, net of accumulated depreciation/amortization	<u>72,146,864</u>	<u>78,609,920</u>
Total assets	<u>229,472,567</u>	<u>227,363,426</u>
<b>DEFERRED OUTFLOWS</b>		
Other postemployment benefits	234,811	159,451
Pension	<u>3,833,170</u>	<u>4,777,834</u>
Total deferred outflows	<u>4,067,981</u>	<u>4,937,285</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable	2,579,390	1,463,209
Current portion of long-term liabilities	733,207	763,335
Accrued expenses	695,735	652,201
Interest payable	115,634	119,838
Current portion of unearned revenue	<u>1,232,664</u>	<u>1,135,011</u>
Total current liabilities	5,356,630	4,133,594
Economic development revolving loan fund	10,800,488	10,639,558
Unearned revenue, net of current portion	7,597,180	5,814,376
Long-term liabilities, net of current portion	<u>42,008,469</u>	<u>42,380,526</u>
Total liabilities	<u>65,762,767</u>	<u>62,968,054</u>
<b>DEFERRED INFLOWS</b>		
Other postemployment benefits	2,081,166	847,267
Pension	<u>5,953,092</u>	<u>5,701,705</u>
Total deferred outflows	<u>8,034,258</u>	<u>6,548,972</u>
<b>NET POSITION</b>		
Net investment in capital assets	57,697,867	60,948,685
Restricted	80,067,819	79,327,533
Unrestricted	<u>21,977,837</u>	<u>22,507,467</u>
Total net position	<u>\$ 159,743,523</u>	<u>\$ 162,783,685</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, 2023  
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE:		
Customer billings	\$ 25,331,367	23,092,639
Grant revenue	1,681,338	2,480,763
Loan interest income	445,801	516,853
Landfill gas to energy revenue	572,551	546,832
Other revenue	<u>410,767</u>	<u>473,483</u>
Total operating revenue	<u>28,441,824</u>	<u>27,110,570</u>
OPERATING EXPENSES:		
Depreciation and amortization	10,323,899	9,024,880
Salaries	6,877,883	6,381,596
Fringe benefits	2,096,413	2,370,687
Operation and maintenance	3,721,386	3,231,402
Wastewater treatment	1,668,209	1,706,280
Water purchases	873,649	660,743
Community benefits	1,169,859	967,077
Closure and post-closure costs	1,276,972	798,347
Grants	507,985	296,215
Office and administrative	375,126	334,503
Insurance	544,932	460,081
Automobile	338,215	345,983
Utilities	223,650	231,825
Materials and supplies	322,197	289,007
Professional fees	187,952	472,356
Computer	291,440	310,095
NYS administrative assessment	122,000	122,000
Repairs and maintenance	206,199	108,466
Bad debt expense (recovery)	<u>76,386</u>	<u>212,183</u>
Total operating expenses	<u>31,204,352</u>	<u>28,323,726</u>
Total operating loss	<u>(2,762,528)</u>	<u>(1,213,156)</u>
NON-OPERATING REVENUE (EXPENSE):		
Investment income	298,999	(953,096)
Gain on sale of capital assets	66,122	13,500
Bond issuance costs	(20,000)	-
Interest expense	<u>(622,755)</u>	<u>(647,830)</u>
Total non-operating revenue (expense)	<u>(277,634)</u>	<u>(1,587,426)</u>
CHANGE IN NET POSITION	(3,040,162)	(2,800,582)
NET POSITION - beginning of year	<u>162,783,685</u>	<u>165,584,267</u>
NET POSITION - end of year	<u>\$ 159,743,523</u>	<u>\$ 162,783,685</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, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 26,191,151	\$27,536,136
Receipts from grants	1,777,083	1,644,799
Cash payments to suppliers	(11,909,302)	(14,541,102)
Cash payments to employees	<u>(6,834,349)</u>	<u>(6,334,497)</u>
Net cash flow from operating activities	<u>9,224,583</u>	<u>8,305,336</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(7,045,126)	(6,084,479)
Proceeds from sale of capital assets	816,953	24,038
Payments on long-term debt	(774,085)	(761,360)
Interest paid	<u>(646,959)</u>	<u>(650,652)</u>
Net cash flow from capital and related financing activities	<u>(7,649,217)</u>	<u>(7,472,453)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Receipts of interest	1,020,672	553,736
Unrealized loss on investments	(806,707)	(1,496,877)
Net proceeds (purchases) of investments	1,066,529	11,970,246
Deposits into other postemployment benefit reserve fund	(124,478)	(4,012)
Net proceeds (purchases) of restricted assets	(1,431,967)	(11,660,444)
Change in funds held by trustee	<u>(37,906)</u>	<u>(1,593)</u>
Net cash flow from investing activities	<u>(313,857)</u>	<u>(638,944)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,261,509	193,939
CASH AND CASH EQUIVALENTS - beginning of year	<u>5,749,003</u>	<u>5,555,064</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 7,010,512</u>	<u>\$ 5,749,003</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING		
Operating loss	\$ (2,762,528)	\$ (1,213,156)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation and amortization	10,323,899	9,024,880
Amortization of debt issuance costs	(55,277)	(55,277)
Bad debt expense	76,386	212,183
Change in deferred outflows of resources	869,304	(763,627)
Change in deferred inflows of resources	1,485,286	5,534,498
Landfill closure and post-closure care costs	1,273,873	(387,870)
Postemployment benefits expense	(860,172)	372,765
Change in:		
Accounts receivable	(1,335,651)	(716,594)
Accrued unbilled revenue	(67,355)	(31,625)
Loans receivable	(972,150)	3,408,766
Inventory	1,929	(17,743)
Prepaid expenses and other assets	(47,744)	(18,504)
Accounts payable and accrued expenses	1,159,715	(1,067,135)
Unearned revenue	1,880,457	(747,088)
Net pension asset	(1,725,909)	-
Net pension liability	<u>(19,480)</u>	<u>(5,229,137)</u>
Net cash flow from operating activities	<u>\$ 9,224,583</u>	<u>\$ 8,305,336</u>

The accompanying notes are an integral part of these statements.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements March 31, 2023

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#### 1. ORGANIZATION

The 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, materials 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, restricted and unrestricted. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. These classifications are 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 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.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements March 31, 2023

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#### **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, 2022, from which the summarized information was derived.

#### **Cash and Cash Equivalents**

For purposes of presenting the Statement of Cash Flows, the Authority considers all highly liquid short-term investments (money market funds) with maturities of three months or less from the date of purchase to be cash or cash equivalents. These money market funds are stated at cost which approximates fair value.

#### **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.

#### **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 consists 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 6.25% and are due at various dates through August 2048.

#### **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 losses of \$357,780 was considered necessary at March 31, 2023.

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.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements

March 31, 2023

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#### **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, which approximates fair value, 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 and money market funds at cost and U.S. and other government obligations at fair value based on quoted market prices.

#### **Other Postemployment Benefits Reserve Fund**

Funds held for other postemployment benefits consist of certificates of deposit, U.S. Government obligations and money market funds. The Authority reports certificates of deposit at cost and U.S. 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 enabling legislation is enacted, these funds will be reflected as unrestricted on the accompanying Statement of Net Position. The Authority is pursuing legal and trustee advice regarding the legality of establishing a separate trust for those funds based on other NYS Authority established OPEB trust funds.

#### **Unamortized Bond Discount and Premium**

The unamortized bond discount associated with the Series 2015 bonds is recognized as interest expense on a straight-line basis over the term of the related debt. The unamortized bond premium associated with the Series 2019 bonds is recognized as interest revenue on a straight-line basis over the term of the related debt.

#### **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 to fifty 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.

Capital assets also include lease assets with a term greater than one year. The Authority does not implement a capitalization threshold for leased assets. Lease assets are amortized on a straight-line basis over the term of the lease.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements

March 31, 2023

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#### **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.

#### **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 Statement of Net Position date and the current estimated costs for closure and post-closure care.

#### **Other Postemployment Benefits**

The Authority provides certain health care benefits to its retired employees in accordance with the provisions of the personnel policy.

#### **Revenue Recognition**

Revenue from sales of services is recognized at the time of service delivery based on actual or estimated rates. Revenue from grant agreements is 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, bond issuance costs, bond premium, bond discount and gains/losses on disposals of capital assets and other items outside of operations.

#### **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.

#### **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.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements March 31, 2023

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#### 3. NET POSITION

##### Restricted Net Position

The Authority maintains the following in restricted net position as of March 31, 2023:

Community rental housing program	\$13,162,260
Community development loan fund	9,702,563
Affordable housing program	22,360,403
Army water and sewer line reserves	1,800,000
Regional waterline operating and debt service reserves	404,885
Wetlands mitigation	321,895
Reserve for liner expansion and replacement	17,015,518
Reserve for open access telecommunication networks	6,950,831
Closure/post closure prefunding reserve	<u>8,349,464</u>
Total restricted net position	<u>\$80,067,819</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 as of March 31, 2023:

Board designated net position:	
Administrative reserve / supplemental insurance	\$ 4,000,000
Infrastructure development	223,107
Capital reserves	867,621
Materials Management - tip fee stabilization and landfill gas reserves	6,241,367
Economic development fund	5,314,979
Affordable housing	<u>3,000,000</u>
Total board designated net position	19,647,074
Undesignated net position	<u>2,330,763</u>
Total unrestricted net position	<u>\$21,977,837</u>

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements March 31, 2023

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#### 4. CONTRACTUAL AGREEMENTS

##### **Materials 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 Materials 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 Materials 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 Materials 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. The agreement also requires a minimum host community fee of \$50,000 for each year the Materials 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 \$1,021,625 in 2023.

##### **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 Materials 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 Materials 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 \$572,551 in 2023, and are recorded separately on the accompanying Statement of Revenue, Expenses and Change in Net Position.

##### **Water Agreement**

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

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements

March 31, 2023

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

#### Wastewater Agreement

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

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

#### Project Development Agreement

In 2015, the Authority entered into a Project Development Agreement with the Town of Watertown (Watertown), 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 Watertown. 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, 2023:

Materials Management Facility	\$ 849,217
Water Quality	522,478
Telecommunications Network	2,748,326
Engineering	12,302
Other	<u>387,926</u>
	4,520,249
Less: Allowance for doubtful accounts	<u>(137,416)</u>
	<u>\$4,382,833</u>



## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements March 31, 2023

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#### 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, 2023:

Demand deposits	\$6,242,814
Time deposits	<u>767,698</u>
	<u>\$7,010,512</u>

#### Custodial Credit Risk

Custodial credit risk for cash deposits, cash equivalents, money market funds, or investments 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, 2023. Total investments by type are as follows at March 31, 2023:

Money market	\$ 3,503,350
United States Treasury obligations/Government agencies	5,773,881
Certificates of deposit	<u>6,621,370</u>
	<u>\$15,898,601</u>

In addition, investments included in footnote 7 related to restricted assets and other postemployment benefits reserve fund were fully secured.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements March 31, 2023

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#### Fair Value

United States Treasury obligations/government agencies are considered Level 1 investments. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following fair value measurements as of March 31, 2023:

- U.S. Treasury obligations/government agencies are valued using quoted market prices (Level 1 inputs).

#### Custodial Credit Risk - Deposits

At March 31, 2023, the Authority had the following deposits that were exposed to custodial credit risk:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 8,060,770	\$ 7,010,512
Other deposits included in restricted assets or investments	<u>12,165,948</u>	<u>12,165,948</u>
	<u>\$20,226,718</u>	<u>\$19,176,460</u>
Covered by FDIC insurance	500,155	
Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name	<u>\$20,460,344</u>	
	<u>\$20,960,499</u>	

Collateral is required for time deposits and certificates of deposit at 102% 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.

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Notes to Basic Financial Statements  
March 31, 2023**

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**7. RESTRICTED ASSETS AND OTHER POSTEMPLOYMENT BENEFITS RESERVE FUND**

Restricted assets are held for the following purposes at March 31, 2023:

Landfill Closure and Post-Closure Care	\$23,823,844
Telecommunications Network	9,630,003
Replacement and Liner at Materials Management Facility	16,924,755
Affordable Housing Program	14,155,631
North Country Economic Development	8,149,364
Community Rental Housing Program	4,834,800
Community Development Loan Fund	3,228,146
Army Water and Sewer Line	2,750,327
Regional Waterline Operating and Debt Service Reserves	498,970
Wetlands Mitigation	<u>321,895</u>
	<u>\$84,317,735</u>

For restricted assets and other postemployment benefits reserve fund, 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, 2023.

Restricted assets consisted of the following at March 31, 2023:

Certificates of deposit	\$35,429,435
United States Treasury obligations/Government agencies	27,985,629
Money market funds	20,743,018
Accrued interest receivable	<u>159,653</u>
	<u>\$84,317,735</u>

Other postemployment benefits reserve fund consisted of the following at March 31, 2023:

Certificates of deposit	\$ 4,634,486
United States Treasury obligations/Government agencies	990,802
Money market funds	<u>126,623</u>
	<u>\$ 5,751,911</u>

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**Notes to Basic Financial Statements  
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**8. LOANS RECEIVABLE**

Loans receivable are summarized as follows at March 31, 2023:

Loans receivable:	
Affordable Housing Program	\$ 9,491,621
Community Rental Housing Program	11,930,197
Community Development Loan Fund	7,039,185
North Country Economic Development Loan Fund	2,645,524
Development Authority Economic Development Loan Fund	<u>250,700</u>
	31,357,227
Less allowance for loan loss	<u>(357,780)</u>
Loans receivable, net	<u>\$30,999,447</u>

The following tables present informative data by class of loans receivable regarding their age and interest accrual status at March 31, 2023.

	<u>Current</u>	<u>1 - 30 Days</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>&gt; 90 Days</u>	<u>Total Past Due</u>	<u>Total Loans Receivable</u>
Affordable Housing Program	\$ 9,449,701	\$ 41,883	\$ 37	\$ -	\$ -	\$ 41,920	\$ 9,491,621
Development Authority Economic Development Loan Fund	250,700	-	-	-	-	-	250,700
Community Rental Housing Program	11,924,764	-	-	5,433	-	5,433	11,930,197
Community Development Loan Fund	7,033,410	4,417	1,358	-	-	5,775	7,039,185
North Country Economic Development Loan Fund	<u>2,640,066</u>	<u>5,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,458</u>	<u>2,645,524</u>
Total	<u>\$31,298,641</u>	<u>\$ 51,758</u>	<u>\$ 1,395</u>	<u>\$ 5,433</u>	<u>\$ -</u>	<u>\$ 58,586</u>	<u>\$31,357,227</u>

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Activity in the allowance for loan losses is as follows for the year ended March 31, 2023:

Balance, beginning of year	351,932
Additional Allowance for Doubtful Accounts	<u>5,848</u>
Balance, end of year	<u><u>357,780</u></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, 2023.

	Ending Loan Balance			Allowance for Loan Losses		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
Commercial loans	<u>\$ 31,357,227</u>	<u>\$ -</u>	<u>\$ 31,357,227</u>	<u>\$ -</u>	<u>\$ 357,780</u>	<u>\$ 357,780</u>

There were no impaired loans at March 31, 2023.

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**9. CAPITAL ASSETS**

Capital asset and lease activity for the year ended March 31, 2023 was as follows:

	Balance				Balance March
	April 1, 2022	Additions	Transfers	Disposals	31, 2023
Land	\$ 1,706,699	\$ -	\$ -	\$ (86,475)	\$ 1,620,224
Construction-in-progress	791,389	6,965,269	(4,412,386)	-	3,344,272
<b>Total non-depreciable assets</b>	<b>2,498,088</b>	<b>6,965,269</b>	<b>(4,412,386)</b>	<b>(86,475)</b>	<b>4,964,496</b>
Construction:					
Materials Management Facility	104,960,647	-	480,927	(609,705)	104,831,869
Water Quality	42,074,782	-	24,861	-	42,099,643
Telecommunications network	47,256,903	-	1,891,561	-	49,148,464
Engineering	96,486	-	-	-	96,486
General and administrative	112,658	-	-	-	112,658
Equipment:					
Materials Management Facility	10,449,715	70,106	1,210,545	(879,385)	10,850,981
Water Quality	2,501,180	-	-	-	2,501,180
Telecommunications network	21,952,647	-	464,036	-	22,416,683
Engineering	77,839	-	-	-	77,839
General and administrative	695,087	9,751	-	(21,818)	683,020
Vehicles:					
Materials Management Facility	35,854	-	-	(35,854)	-
Water Quality	56,470	-	-	-	56,470
General and administrative	1,006,890	-	340,456	(144,661)	1,202,685
Leasehold improvements:					
Telecommunications network	45,162	-	-	-	45,162
General and administrative	30,119	-	-	(2,973)	27,146
<b>Total at cost</b>	<b>231,352,439</b>	<b>79,857</b>	<b>4,412,386</b>	<b>(1,694,396)</b>	<b>234,150,286</b>
Less: Accumulated depreciation for:					
Construction	(126,000,988)	(7,599,331)	-	173,199	(133,427,120)
Equipment	(25,972,384)	(2,438,476)	-	717,998	(27,692,862)
Vehicles	(850,048)	(193,112)	-	165,464	(877,696)
Leasehold improvements	(75,281)	-	-	2,973	(72,308)
<b>Total accumulated depreciation</b>	<b>(152,898,701)</b>	<b>(10,230,919)</b>	<b>-</b>	<b>1,059,634</b>	<b>(162,069,986)</b>
Right-to-use Leased Assets, being amortized:					
Buildings	284,706	32,956	-	(36,682)	280,980
<b>Total Right-to-use Leased Assets, being amortized</b>	<b>284,706</b>	<b>32,956</b>	<b>-</b>	<b>(36,682)</b>	<b>280,980</b>

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Less accumulated amortization for:					
Buildings	<u>(128,524)</u>	<u>(122,574)</u>	<u>-</u>	<u>36,682</u>	<u>(214,416)</u>
Total accumulated amortization	<u>(128,524)</u>	<u>(122,574)</u>	<u>-</u>	<u>36,682</u>	<u>(214,416)</u>
Total depreciable/amortized assets, net	<u>78,609,920</u>	<u>(10,240,680)</u>	<u>4,412,386</u>	<u>(634,762)</u>	<u>72,146,864</u>
Total capital assets, net	<u>81,108,008</u>	<u>(3,275,411)</u>	<u>-</u>	<u>(721,237)</u>	<u>77,111,360</u>

Capital asset and lease activity for the year ended March 31, 2022 was as follows:

	Balance April 1, 2021, as restated	Additions	Transfers	Disposals	Balance March 31, 2022
Land	\$ 1,706,699	\$ -	\$ -	\$ -	\$ 1,706,699
Construction-in-progress	<u>22,741,933</u>	<u>6,074,671</u>	<u>(28,025,215)</u>	<u>-</u>	<u>791,389</u>
Total non-depreciable assets	<u>24,448,632</u>	<u>6,074,671</u>	<u>(28,025,215)</u>	<u>-</u>	<u>2,498,088</u>
Construction:					
Materials Management Facility	82,087,542	9,806	22,873,833	(10,534)	104,960,647
Water Quality	40,533,779	-	1,541,003	-	42,074,782
Telecommunications network	45,936,608	-	1,320,295	-	47,256,903
Engineering	96,486	-	-	-	96,486
General and administrative	112,658	-	-	-	112,658
Equipment:					
Materials Management Facility	10,242,376	-	207,339	-	10,449,715
Water Quality	2,501,180	-	-	-	2,501,180
Telecommunications network	19,869,902	-	2,082,745	-	21,952,647
Engineering	77,839	-	-	-	77,839
General and administrative	695,087	-	-	-	695,087
Vehicles:					
Materials Management Facility	35,854	-	-	-	35,854
Water Quality	56,470	-	-	-	56,470
General and administrative	1,048,589	-	-	(41,699)	1,006,890
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>203,369,651</u>	<u>9,806</u>	<u>28,025,215</u>	<u>(52,233)</u>	<u>231,352,439</u>

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**Notes to Basic Financial Statements  
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Less: Accumulated depreciation for:					
Construction	(119,559,867)	(6,441,121)	-	-	(126,000,988)
Equipment	(23,699,888)	(2,272,496)	-	-	(25,972,384)
Vehicles	(709,006)	(182,741)	-	41,699	(850,048)
Leasehold improvements	(75,281)	-	-	-	(75,281)
Total accumulated depreciation	<u>(144,044,042)</u>	<u>(8,896,358)</u>	<u>-</u>	<u>41,699</u>	<u>(152,898,701)</u>
Right-to-use Leased Assets, being amortized:					
Buildings	<u>284,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,706</u>
Total Right-to-use Leased Assets, being amortized	<u>284,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,706</u>
Less accumulated amortization for:					
Buildings	<u>-</u>	<u>(128,524)</u>	<u>-</u>	<u>-</u>	<u>(128,524)</u>
Total accumulated amortization	<u>-</u>	<u>(128,524)</u>	<u>-</u>	<u>-</u>	<u>(128,524)</u>
Total depreciable/amortized assets, net	<u>59,610,315</u>	<u>(9,015,076)</u>	<u>28,025,215</u>	<u>(10,534)</u>	<u>78,609,920</u>
Total capital assets, net	<u>84,058,947</u>	<u>(2,940,405)</u>	<u>-</u>	<u>(10,534)</u>	<u>81,108,008</u>



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**10. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended March 31, 2023 was as follows:

	Balance as of April 1, 2022	Increases	Decreases	Due Within One Year	Long-Term Portion Ending Balance as of March 31, 2023
Loans payable	\$ 2,979,925	\$ -	\$ (115,727)	\$ 118,226	\$ 2,745,972
Bonds payable	17,235,000	-	(535,000)	560,000	16,140,000
Premium on bonds	1,252,306	-	(55,277)	-	1,197,029
Net pension liability - ERS	19,480	-	(19,480)	-	-
OPEB liability	5,322,887	-	(860,172)	-	4,462,715
Lease liability	156,668	32,956	(123,358)	54,981	11,285
Landfill liability	15,427,610	1,273,873	-	-	16,701,483
Due to U.S. Army	749,985	-	-	-	749,985
<b>Total long-term liabilities</b>	<b>\$43,143,861</b>	<b>\$ 1,306,829</b>	<b>\$ (1,709,014)</b>	<b>\$ 733,207</b>	<b>\$42,008,469</b>

Long-term liability activity for the year ended March 31, 2022 was as follows:

	Balance as of April 1, 2021, as restated	Increases	Decreases	Due Within One Year	Long-Term Portion Ending Balance as of March 31, 2022
Loans payable	\$ 3,093,246	\$ -	\$ (113,321)	\$ 115,726	\$ 2,864,199
Bonds payable	17,755,000	-	(520,000)	535,000	16,700,000
Premium on bonds	1,307,584	-	(55,278)	-	1,252,306
Net pension liability (asset) - ERS	5,248,617	-	(5,229,137)	-	19,480
OPEB liability	4,950,122	372,765	-	-	5,322,887
Lease liability	284,706	-	(128,038)	112,609	44,059
Landfill liability	15,815,480	-	(387,870)	-	15,427,610
Due to U.S. Army	749,985	-	-	-	749,985
<b>Total long-term liabilities</b>	<b>\$49,204,740</b>	<b>\$ 372,765</b>	<b>\$ (6,433,644)</b>	<b>\$ 763,335</b>	<b>\$42,380,526</b>

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Long-term debt revenue loan activity for the year ended March 31, 2023 was as follows:

	Balance as of April 1, 2022	Increases	Decreases	Due Within One Year	Long-Term Portion Ending Balance as of March 31, 2023
<b>Loans payable</b>					
Direct Borrowings:					
Unsecured loan payable to the State of New York in annual payments of \$50,000 through March 2040. This loan does not bear interest.	\$ 864,000	\$ -	\$ (50,000)	\$ 50,000	\$ 764,000
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.	930,560	-	(49,230)	51,444	\$ 829,886
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
Unsecured note payable to the Village of Cape Vincent requiring quarterly payments ranging from \$7,028 to \$7,100, including interest at 2.0% through March 2049.	585,365	-	(16,497)	16,782	552,086
<b>Loans payable</b>	<u>\$2,979,925</u>	<u>\$ -</u>	<u>\$ (115,727)</u>	<u>\$ 118,226</u>	<u>\$2,745,972</u>

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Long-term debt revenue bond activity for the year ended March 31, 2023 was as follows:

	Balance as of			Due Within	Long-Term Portion Ending Balance as of
Bonds payable	April 1, 2022	Increases	Decreases	One Year	March 31, 2023
Series 2015 bonds maturing in annual amounts ranging from \$225,000 to \$490,000 through 2039 bearing interest ranging from 2.00% to 3.75%.	\$ 7,005,000	\$ -	\$ (275,000)	\$ 285,000	\$ 6,445,000
Series 2019 bonds maturing in annual amounts ranging from \$240,000 to \$650,000 through 2044 bearing interest ranging from 3.25% to 5.00%.	<u>10,230,000</u>	<u>-</u>	<u>(260,000)</u>	<u>275,000</u>	<u>9,695,000</u>
Bonds payable	<u>\$17,235,000</u>	<u>\$ -</u>	<u>\$ (535,000)</u>	<u>\$ 560,000</u>	<u>\$16,140,000</u>

**Future Minimum Payments**

The future minimum payments for the Authority's financing arrangements are as follows as of March 31, 2023:

	Principal	Interest	Total
2024	\$ 678,226	\$ 654,700	\$ 1,332,926
2025	696,109	630,587	1,326,696
2026	723,813	603,989	1,327,802
2027	751,625	575,909	1,327,534
2028	784,552	546,983	1,331,535
2029 – 2033	4,382,997	2,266,855	6,649,852
2034 – 2038	5,051,121	1,408,798	6,459,919
2039 – 2043	5,057,609	550,409	5,608,018
2044 – 2048	1,410,555	52,620	1,463,175
2049 – 2050	<u>27,591</u>	<u>552</u>	<u>28,143</u>
	<u>\$19,564,198</u>	<u>\$ 7,291,402</u>	<u>\$26,855,600</u>

**Interest Paid**

Interest paid on all financing arrangements during the years ended March 31, 2023 and March 31, 2022 were \$646,959 and \$643,997, respectively.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

### Notes to Basic Financial Statements March 31, 2023

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#### 11. MATERIALS 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 Materials 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 Statement of Net Position date. The Authority has \$25,050,947 set aside for landfill closure and post-closure care liability at March 31, 2023, which represents the cumulative amount reported to date based on the use of 39% of the estimated capacity of both landfills. The Authority will recognize the remaining estimated cost of closure and post-closure care of approximately \$72.5 million as the remaining estimated capacity of both landfills are filled. Costs are estimated based on what it would cost to perform all closure and post-closure care through 2072. The Authority expects to close the currently permitted landfill in 2026 but has increased the landfill capacity by adding the new Southern Expansion landfill on the existing landfill site. The landfill expansion project opened in June of 2022 and adds an estimated additional 11 million tons of available space for waste placement and increases the estimated landfill life by 50 years. Actual costs may differ 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, 2023, investments of \$23,823,844 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 and infrastructure. 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 2023, tipping fees of \$1,277,380 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.

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#### Liner

The new landfill consists of a total of nine cells. The build out of the first two cells has been completed. The remaining seven cells will be built over the next 39 years. A stand-alone liner reserve has been established which will set aside a portion of the tipping fees collected to meet future cell build outs. In 2023, tipping fees of \$1,532,855 were set aside for the liner reserve. 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 the cell build outs, 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 \$321,895 at March 31, 2023.

#### 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, liner 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 \$9,948 in 2023.

## 12. COMMITMENTS AND CONTINGENCIES

#### Commitments

The Authority entered into a lease agreement with the New York State Office of General Services (NYSOGS) for office space effective September 1, 2020 and expiring on August 31, 2023. Under the terms of the lease, monthly payments of \$8,884 are required. Total rental expense charged to operations amounted to \$133,472 during the year ended March 31, 2023.

#### 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.

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**Notes to Basic Financial Statements  
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**13. PENSION PLAN**

**New York State and Local Employees' Retirement System Plan Description**

The Authority participates in the New York State and Local Employees' Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**Contributions**

The System is contributory except for employees who joined the New York State and Local Employees' Retirement System before July 27, 1976. Employees who joined the System between July 27, 1976 through December 31, 2009 contribute 3% of their salary for the first ten years of membership. Employees who joined the system between January 1, 2010 through March 31, 2012 contribute 3% of their salary for their entire careers and employees who joined the system after April 1, 2012 contribute between 3 and 6% their entire careers. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were approximately:

2023	\$ 663,000
2022	\$ 890,000
2021	\$ 797,000

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**Pension (Assets) Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At March 31, 2023, the Authority reported an asset of \$1,725,909 for its proportionate share of the net pension asset. The net pension asset was measured as of March 31, 2022, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of April 1, 2021. The Authority's proportion of the net pension asset was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

The Authority's proportion measured at March 31, 2022 was 0.0211131% which was an increase of 0.0015495% from its proportion measured at March 31, 2021 of 0.0195636%.

For the year ended March 31, 2023, the Authority recognized pension expense of \$106,496.

At March 31, 2023, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 130,705	\$ 169,532
Changes in assumptions	2,880,349	48,603
Net difference between projected and actual earnings on pension plan investments	-	5,651,629
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	158,987	83,328
Contributions subsequent to measurement date	<u>663,129</u>	<u>-</u>
	<u>\$3,833,170</u>	<u>\$5,953,092</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows for the Plan's year ended March 31:

2023	\$ (409,318)
2024	(616,501)
2025	(1,464,723)
2026	<u>(292,509)</u>
	<u>\$ (2,783,051)</u>

The Authority recognized \$663,129 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2022, which will be recognized in the year ended March 31, 2024.

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March 31, 2023**

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**Actuarial Assumptions**

The total pension liability measured at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary scale	4.4% indexed by service
Investment rate of return	5.9% compounded annually, net of investment expenses, including inflation
Projected cost of living adjustments	1.4% compounded annually
Decrements	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries' Scale MP-2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	32%	3.30%
International equity	15%	5.85%
Private equity	10%	6.50%
Real estate	9%	5.00%
Opportunistic/Absolute Return Strategy	3%	4.10%
Credit	4%	3.78%
Real assets	3%	5.80%
Fixed income	23%	0.00%
Cash	<u>1%</u>	-1.00%
	<u>100%</u>	



**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Notes to Basic Financial Statements  
March 31, 2023**

	2023		
	1%	Current	
	Decrease (4.9%)	assumption (5.9%)	1% Increase (6.9%)
Proportionate share of net pension liability (asset)	<u>4,442,471</u>	<u>(1,725,909)</u>	<u>(6,885,462)</u>

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension asset of the employers as of March 31, 2022 were as follows:

	Pension Plan's Fiduciary Net Position (Dollars in Thousands)	Authority's Proportionate Share of Plan's Fiduciary Assumption Net Position (Dollars in Thousands)	Authority's Allocation Percentage As Determined By the Plan
Total pension liability	\$ 223,874,888	\$ 47,267	0.0211131%
Net position	<u>(232,049,473)</u>	<u>(48,993)</u>	0.0211131%
Net pension liability (asset)	<u>(8,174,585)</u>	<u>(1,726)</u>	0.0211131%
Fiduciary net position as a percentage of total pension liability	103.65%	103.65%	

**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 accumulated in a trust that meet the criteria in GASB 75, paragraph 4.

**Employees Covered by Benefit Terms**

At March 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently	18
Active employees	<u>63</u>
Total participants	<u>81</u>

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Notes to Basic Financial Statements  
March 31, 2023**

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**OPEB Liability**

The Authority's total OPEB liability of \$4,462,715 was determined by using an actuarial valuation as of March 31, 2023.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the March 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increase Rate	3.00%
Discount Rate	4.75%
Health Care Cost Trend Rate	5.00%
Actuarial Cost Method	Entry Age Actuarial Accrued Liability Cost Method
Mortality Rates	Based on Active and Retired Lives – The RP-2014 Mortality Table with separate rates for males and females and for actives and retirees

**Changes in the OPEB Liability**

OPEB Liability as of March 31, 2022	\$5,322,887
Service cost	275,575
Interest	184,189
Difference between changes in actual and expected	92,006
Changes in assumptions	(1,349,365)
Benefit payments	<u>(62,577)</u>
OPEB Liability as of March 31, 2023	<u>\$4,462,715</u>

**Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2023		
	Decrease (3.75%)	Rate (4.75%)	1% Increase (5.75%)
OPEB Liability	<u>\$5,333,521</u>	<u>\$4,462,715</u>	<u>\$3,776,189</u>

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Notes to Basic Financial Statements  
March 31, 2023**

**Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	<u>2023</u>		
	1%		
	Decrease	Discount	1% Increase
	(4.0%)	Rate (5.0%)	(6.0%)
OPEB Liability	<u>\$3,724,997</u>	<u>\$4,462,715</u>	<u>\$5,406,871</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended March 31, 2023, the Authority recognized OPEB expense of \$360,944. At March 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
	<u>Resources</u>	<u>Resources</u>
Difference between actual and expected experience	\$ 87,625	\$ 796,056
Changes of assumptions or other inputs	<u>147,186</u>	<u>1,285,110</u>
	<u>\$ 234,811</u>	<u>\$2,081,166</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (98,820)
2025	(98,820)
2026	(98,820)
2027	(98,820)
2028	(98,820)
Thereafter	<u>(1,352,255)</u>
	<u>\$ (1,846,355)</u>

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Notes to Basic Financial Statements  
March 31, 2023**

**15. LEASES**

The Authority leases office space from various buildings. The leases contain renewal options. Lease agreements are summarized as follows:

Description	Inception Date	Term (in months)	Interest Rate/Discount Rate	Total Initial Lease Liability
NYS OGS State Office Building	4/1/2021	29	3.29%	\$ 248,024
Canton Office	6/1/2022	36	3.29%	\$ 32,956
Washington Street "HSBC Building"	4/1/2021	17	3.29%	\$ 36,682

Activity of lease liabilities for the year ended March 31, 2022 is summarized as follows:

Balance As of April 1, 2021, As Restated	Additions	Subtractions	Ending Balance As of March 31, 2022	Amount Due Within One Year
\$ 284,706	\$ -	\$ (128,038)	\$ 156,668	\$ 112,609

Annual requirements to amortize long-term obligations and related interest for the year ended March 31, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 112,609	\$ 3,364	\$ 115,973
2024	44,059	363	44,422
Total	\$ 156,668	\$ 3,727	\$ 160,395

Activity of lease liabilities for the year ended March 31, 2023 is summarized as follows:

Balance As of April 1, 2022	Additions	Subtractions	Ending Balance As of March 31, 2023	Amount Due Within One Year
\$ 156,668	\$ 32,956	\$ (123,358)	\$ 66,266	\$ 54,981

Annual requirements to amortize long-term obligations and related interest for the year ended March 31, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 54,981	\$ 961	\$ 55,942
2025	11,285	234	11,519
Total	\$ 66,266	\$ 1,195	\$ 67,461

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Notes to Basic Financial Statements  
March 31, 2023**

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**16. RESTATEMENT**

**Change in Accounting Principle**

During the year ended March 31, 2023, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the Authority's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use and underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. These changes were incorporated in the Authority's financial statements and had no effect on the beginning net position, as the net book value of the leased asset equaled the amount of the lease liability.

	<u>Net Position</u>
Balance at March 31, 2021, as previously reported	\$ 165,584,267
Adjustments:	
Net book value leased asset	284,706
Lease liability	<u>(284,706)</u>
Balance at April 1, 2021, as restated	<u>\$165,584,267</u>

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

## Supplementary Information

## Schedule of Revenue, Expenses and Change in Net Position By Department

For the Year Ended March 31, 2023

	General and Administration	Solid Waste Management Facility	Water and Waste Water Operations	Telecommunication Network	Housing and Economic Development	Engineering	Total
<b>OPERATING REVENUE:</b>							
Customer billings	\$ -	\$ 10,875,020	\$ 7,401,371	\$ 6,260,163	\$ 277,247	\$ 517,566	\$ 25,331,367
Grant revenue	8,945	172,232	179,430	942,645	378,086	-	1,681,338
Loan interest income	-	-	-	-	445,801	-	445,801
Landfill gas to energy revenue	-	572,551	-	-	-	-	572,551
Other revenue	151,310	206,738	4,392	9,883	38,444	-	410,767
Total operating revenues	160,255	11,826,541	7,585,193	7,212,691	1,139,578	517,566	28,441,824
<b>OPERATING EXPENSES:</b>							
Depreciation and amortization	316,661	5,157,996	917,373	3,923,526	-	8,343	10,323,899
Salaries	1,281,413	1,728,711	1,824,640	1,456,958	316,326	269,835	6,877,883
Fringe benefits	290,089	623,060	644,883	342,539	94,795	101,047	2,096,413
Operation and maintenance	8,612	1,601,985	94,436	1,918,549	25,863	71,941	3,721,386
Wastewater treatment	-	464,612	1,203,597	-	-	-	1,668,209
Water purchases	-	-	873,649	-	-	-	873,649
Community benefits	-	1,021,625	-	-	148,234	-	1,169,859
Closure and post-closure costs	-	1,276,972	-	-	-	-	1,276,972
Grant	-	-	-	-	507,985	-	507,985
Office and administrative	99,496	86,975	101,943	54,538	7,678	24,496	375,126
Insurance	18,432	224,919	129,939	156,016	-	15,626	544,932
Bad debt	-	-	-	70,142	5,848	396	76,386
Automobile	6,092	9,145	224,383	83,694	-	14,901	338,215
Utilities	-	82,370	135,438	5,842	-	-	223,650
Materials and supplies	-	322,197	-	-	-	-	322,197
Professional fees	76,760	40,341	3,654	18,158	49,039	-	187,952
Computer	186,404	14,616	26,600	29,998	750	33,072	291,440
NYS administrative assessment	-	47,887	34,138	33,417	-	6,558	122,000
Repairs and maintenance	-	13,273	192,926	-	-	-	206,199
Engineering allocation	-	32,426	39,093	13,861	1,630	(87,010)	-
Administrative allocation	(2,051,634)	868,772	463,691	528,998	144,588	45,585	-
Total operating expenses	232,325	13,617,882	6,910,383	8,636,236	1,302,736	504,790	31,204,352
Total operating income (loss)	(72,070)	(1,791,341)	674,810	(1,423,545)	(163,158)	12,776	(2,762,528)
<b>NON-OPERATING REVENUE (EXPENSE):</b>							
Investment income	148,748	9,948	23,073	137,112	(19,882)	-	298,999
Gain on sale of capital assets, net	36,211	29,911	-	-	-	-	66,122
Bond issuance costs	-	-	(20,000)	-	-	-	(20,000)
Interest expense	(3,827)	(564,821)	(54,107)	-	-	-	(622,755)
Total non-operating revenue (expense)	181,132	(524,962)	(51,034)	137,112	(19,882)	-	(277,634)
CHANGE IN NET POSITION	\$ 109,062	\$ (2,316,303)	\$ 623,776	\$ (1,286,433)	\$ (183,040)	\$ 12,776	\$ (3,040,162)

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**
**Supplementary Information**  
**Schedule of North Country Economic Development Fund Activity**  
**For the Year Ended March 31, 2023**


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	<u>Total</u>
Fund balance - beginning of year	\$ 10,639,558
Loan interest income	76,133
Recovered bad debt income	2,100
Investment interest income	93,134
Mark to market adjustment	830
Investment banking fees	(3,267)
Consulting expense	<u>(8,000)</u>
Change in fund balance	<u>160,930</u>
Fund balance - end of year	<u>\$ 10,800,488</u>
Assets restricted for North Country Economic Development	
Investments	\$ 8,149,364
Loan interest receivable	5,600
Loans receivable	<u>2,645,524</u>
Total fund balance	<u>\$ 10,800,488</u>

DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

Required Supplementary Information  
 Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
 For the Year Ended March 31, 2023

	Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total OPEB Liability</b>										
Service cost	\$ 275,575	\$ 259,524	\$ 259,524	\$ 248,401	\$ 248,401					
Interest	184,189	187,290	187,290	169,281	169,281					
Changes of benefit terms	-	-	-	-	-					
Differences between expected and actual experience	92,006	-	(862,191)	-	(99,163)					
Changes in assumptions	(1,349,365)	-	-	-	208,511					
Benefit payments	(62,577)	(74,049)	(67,705)	(59,298)	(53,275)					
<b>Total change in total OPEB liability</b>	<b>(860,172)</b>	<b>372,765</b>	<b>(483,082)</b>	<b>358,384</b>	<b>473,755</b>					
<b>Total OPEB liability - beginning</b>	<b>5,322,887</b>	<b>4,950,122</b>	<b>5,433,204</b>	<b>5,074,820</b>	<b>4,601,065</b>					
<b>Total OPEB liability - ending</b>	<b>\$ 4,462,715</b>	<b>\$ 5,322,887</b>	<b>\$ 4,950,122</b>	<b>\$ 5,433,204</b>	<b>\$ 5,074,820</b>					
<b>Covered-employee payroll</b>	<b>\$ 4,585,487</b>	<b>\$ 4,081,382</b>	<b>\$ 3,819,887</b>	<b>\$ 4,287,573</b>	<b>\$ 3,679,648</b>					
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>97.3%</b>	<b>130.4%</b>	<b>129.6%</b>	<b>126.7%</b>	<b>137.9%</b>					

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

**Changes of assumptions.** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

	2023	2022	2021	2020	2019
Discount rate	4.75%	3.29%	3.29%	3.29%	3.29%

The Authority did not obtain an actuarial valuation as of March 31, 2022 or March 31, 2020, and relied on the previous year's actuarial valuation, respectively, for those calculations.

The actuarial cost method used to calculate the costs of the Plan is known as the Entry Age Actuarial Accrued Liability Cost Method.

The healthcare cost trend rates have remained consistent at a rate of 5.0%.

**Plan Assets.** No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.



**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Required Supplementary Information  
Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)  
For the Year Ended March 31, 2023**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.0211131%	0.0195636%	0.0198206%	0.0184752%	0.0177834%	0.0175474%	0.0168838%	0.0167435%		
Proportionate share of the net pension liability (asset)	\$ (1,725,909)	\$ 19,480	\$ 5,248,617	\$ 1,309,024	\$ 573,949	\$ 1,648,794	\$ 2,709,904	\$ 565,635		
Covered-employee payroll	\$ 5,970,353	\$ 5,847,483	\$ 5,642,812	\$ 5,462,255	\$ 4,970,504	\$ 4,620,918	\$ 4,355,501	\$ 4,052,840		
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-28.91%	0.33%	93.01%	23.96%	11.55%	35.68%	62.22%	13.96%		
Plan fiduciary net position as a percentage of the total pension liability (asset)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%		

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

## DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

Required Supplementary Information  
 Schedule of Contributions - Pension Plans (Unaudited)  
 For the Year Ended March 31, 2023

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 663,129	\$ 890,375	\$ 796,667	\$ 766,847	\$ 714,456	\$ 683,563	\$ 659,418	\$ 601,067		
Contributions in relation to the contractually required contribution	<u>663,129</u>	<u>890,375</u>	<u>796,667</u>	<u>766,847</u>	<u>714,456</u>	<u>683,563</u>	<u>659,418</u>	<u>601,067</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered-employee payroll	\$ 5,970,353	\$ 5,847,483	\$ 5,642,812	\$ 5,462,255	\$ 4,970,504	\$ 4,620,918	\$ 4,355,501	\$ 4,052,840		
Contributions as a percentage of covered-employee payroll	11.11%	15.23%	14.12%	14.04%	14.37%	14.79%	15.14%	14.83%		

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**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 22, 2023

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 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, 2023 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 22, 2023.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

**Report on 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 financial statements. 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 THE UNIFORM  
GUIDANCE**

June 22, 2023

Directors of  
Development Authority of the North Country

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

We have audited the Development Authority of the North Country’s (the Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority’s major federal program for the year ended March 31, 2023. 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.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2023.

***Basis for Opinion on Major Federal Program***

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority’s compliance with the compliance requirements referred to above.

***Responsibilities of Management For Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority’s federal programs.

### ***Auditor's Responsibilities For the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with requirements referred to above occurred, whether due to fraud or error, and express an opinion on compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Schedule of Expenditures of Federal Awards  
For the Year Ended March 31, 2023**

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Grant or Pass Through Number</u>	<u>Expenditures to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through Jefferson County:				
Home Investment Partnerships Program	14.239	M19-DC360512	\$ 517,626	\$ 552,626
Passed through St. Lawrence County:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	1106HR309-21	150,126	193,269
Passed through Town of Gouverneur:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	464HR122-20	144,905	175,400
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>295,031</u>	<u>368,669</u>
Total U.S. Department of Housing and Urban Development:			812,657	921,295
U.S. DEPARTMENT OF DEFENSE:				
Direct:				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003	HQ00052210013	N/A	179,430
Total expenditures of federal awards				<u>\$ 1,100,725</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. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**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 and amounts presented are derived from the Authority's general ledger.

**Indirect and Matching Costs**

Indirect costs may be included in the reported expenditures to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the Authority's share of certain program costs) are not included in the reported expenditures.

The Authority did not elect to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



**DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY**

**Schedule of Findings and Questioned Costs  
For the Year Ended March 31, 2023**

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**Part I Summary of Auditor's Results**

**Financial Statements**

Type of independent auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No  
Significant deficiencies identified?  Yes  None reported  
Noncompliance material to financial statements noted?  Yes  None reported

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No  
Significant deficiencies identified?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

<u>AL Number</u>	<u>Program Title</u>
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

The Authority was considered a low-risk auditee for the year ended March 31, 2023.

**Part II Financial Statement Findings**

There were no financial statement findings reported.

**Part III Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs that were required to be reported under the Uniform Guidance.