

**ST. LAWRENCE COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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Pinto·Mucenski·Hooper
Van House & Co.
Certified Public Accountants, P.C.

301 Ford Street
P.O. Box 327
Ogdensburg, NY 13669
(315) 393-7502
Fax: (315) 393-9231
www.pmhvcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
St. Lawrence County Industrial Development Agency
Canton, New York

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the St. Lawrence County Industrial Development Agency (Agency), a component unit of St. Lawrence County, New York, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Lawrence County Industrial Development Agency as of December 31, 2016 and 2015, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 4 through 7, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Local Government Contributions on Page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

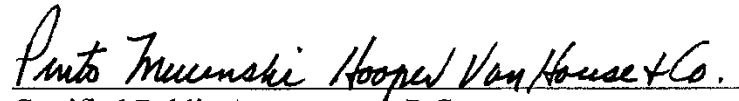
Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Lawrence County Industrial Development Agency's basic financial statements. The Schedules of Revenues and Expenses by Project on Page 34 and the Schedules of Operating Expenses on Page 35 are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedules of Revenues and Expenses by Project and the Schedules of Operating Expenses are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules 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 March 15, 2017, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.


Pante Mucinski Hooper Van House & Co.
Certified Public Accountants, P.C.

March 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the St. Lawrence County Industrial Development Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Agency's financial statements.

HIGHLIGHTS

Financial Highlights

- Total Assets were increased by \$ 3,885,800 primarily due to the accrual of revenues for the Newton Falls Rail Project.
- Total Liabilities increased by \$ 4,035,470 primarily due to the new debt acquired for funding the Newton Falls Rail Project.

Agency Highlights

- February 2016. The Agency conducted annual reviews of the Disposition of Real Property Guidelines, 2015 Report of Property, and authorized modifications to the FY2015 Budget. The Agency also authorized a small transfer of property from Curran Renewable Energy LLC Project to CSX Transportation, Inc. The Agency also authorized a construction contract for the Newton Falls Rail Rehabilitation Project.
- March 2016. The Agency accepted its 2015 Annual Audit and reviewed its policies on Compensation, Reimbursement and Attendance, Whistleblower Policy and Procedures, Defense and Indemnification, and its Code of Ethics Policy.
- April 2016. The Agency authorized execution and delivery of a mortgage indenture and security agreement for Butternut Assets, LLC.
- May 2016. The Agency authorized an application for funds through the National Grid Brownfield Redevelopment Assistance Program and authorized an application through the North Country Redevelopment Fund Grant & Loan Program for the planned demolition and abatement of the former J&L site in Star Lake.
- June 2016. The Agency authorized borrowing of funds from the St. Lawrence River Valley Redevelopment Agency for the Newton Falls Rail Rehabilitation Project. The Agency also authorized revisions to its policy regarding the Recapture of Project Benefits and adopted a Uniform Project Evaluation Criteria Policy and an Amended and Restated Application.
- August 2016. The Agency authorized borrowing of funds from the Development Authority of the North Country (DANC) for the Newton Falls Rail Rehabilitation Project. The Agency also accepted an application from St. Lawrence Soyway, LLC.
- September 2016. The Agency approved its 2016 tentative budget and authorized agreements with the Town of Clifton, DANC, and St. Lawrence County regarding the J&L Site.
- December 2016. The Agency approved its 2017 budget, authorized a final resolution for the issuance of Industrial Revenue Bonds for St. Lawrence Soyway, LLC, and approved a Sales and Use Tax Exemption to Atlantic Testing Laboratories, LTD.

USING THIS ANNUAL REPORT

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, Required Supplementary Information and other Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The financial statements of the Agency report information using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the Agency's overall financial status. The Agency's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. The financial statements also include notes that are considered essential to a full understanding of the data that is being presented on the statements.

The *Statements of Net Position* presents information on all of the Agency's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the assets plus deferred outflows of resources less liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* account for all of the current year's revenues and expenses. This statement measures the success of the Agency's operations over the past year and can be used to determine whether the Agency has successfully recovered all of its costs. It provides the user with basic financial information about the profitability and credit worthiness.

The *Statement of Cash Flows* provides information about the Agency's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. The purpose of this statement is to tell the user where the Agency's cash came from, what the cash was used for, and by how much the cash balance changed over the course of the fiscal year.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information. This information is required in connection with the Agency's pension plan held with New York State and Local Employees' Retirement System. The purpose of Required Supplementary Information presented on page 32 is for additional analysis only.

Other Supplementary Information. In addition to the basic financial statements and accompanying notes, this report presents Supplementary Schedules, which are presented for purposes of additional analysis only.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government agency's financial position. In the case of the Agency, assets exceeded liabilities by \$ 6,350,642 as of December 31, 2016.

The Agency's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following tables present a summary of the Agency's derivation of net position for the fiscal year ended December 31, 2016.

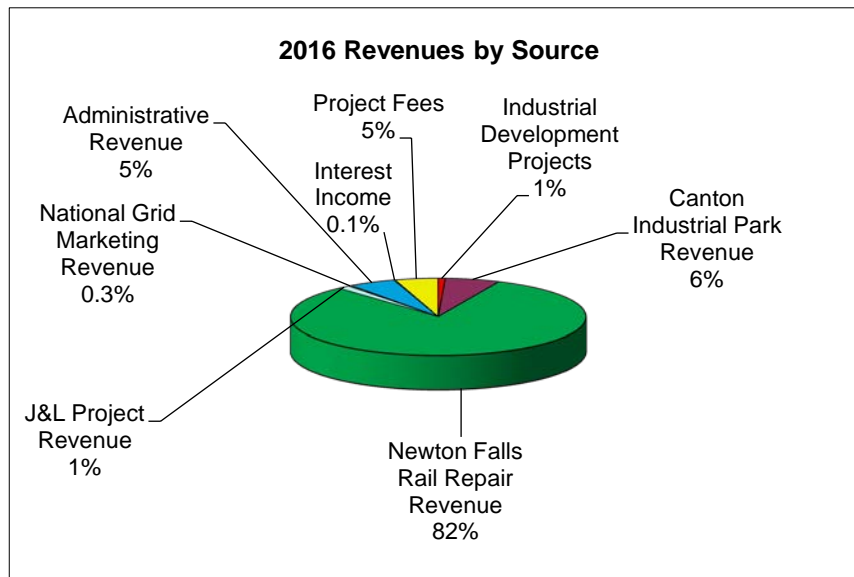
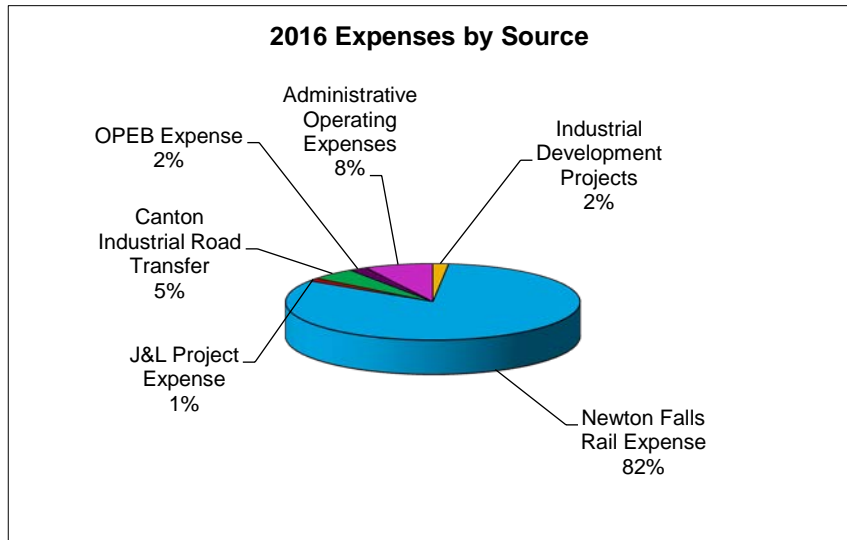
Table 1

2016		2015	
Total Current Assets	\$ 9,112,272	Total Current Assets	\$ 4,673,204
Total Fixed Assets (Net)	3,430,752	Total Fixed Assets (Net)	3,890,810
Total Other Assets	263,484	Total Other Assets	356,694
Total Assets	12,806,508	Total Assets	8,920,708
Deferred Outflow - Pension	336,761	Deferred Outflow - Pension	70,529
	<u>\$ 13,143,269</u>		<u>\$ 8,991,237</u>
Total Liabilities	\$ 6,455,866	Total Liabilities	\$ 2,420,396
Total Net Assets	6,620,332	Total Net Assets	6,551,529
Total Liabilities & Net Assets	13,076,198	Total Liabilities & Net Assets	8,971,925
Deferred Inflow - Pension	67,071	Deferred Inflow - Pension	19,312
	<u>\$ 13,143,269</u>		<u>\$ 8,991,237</u>

Changes in the Agency's Net Position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position at the end of the year.

Table 2

2016		2015	
Total Industrial Development Project (IDP) Revenue	\$ 7,060,644	Total Industrial Development Project (IDP) Revenue	\$ 973,585
Total ID Projects	7,027,149	Total ID Projects	433,250
Support Services	736,107	Support Services	826,497
Total SLCIDA Expenses	-7,763,256	Total SLCIDA Expenses	-1,259,747
Total SLCIDA Activities	-702,612	Total SLCIDA Activities	-286,162
Total General Revenues	805,007	Total General Revenues	673,208
Excess (Deficiency)	102,395	Excess (Deficiency)	387,046
Change in NYSLRS Pension Plan	-33,592	Implementation of GASB 68	-92,326
Change in Net Assets	68,803	Change in Net Assets	294,720
Net Assets – Begin. of Year	6,551,529	Net Assets – Begin. of Year	6,256,809
Net Assets – End of Year	<u>\$ 6,620,332</u>	Net Assets – End of Year	<u>\$ 6,551,529</u>



CASH AND INVESTMENT POLICY

The St. Lawrence County Industrial Development Agency finds it necessary to place funds in various deposit accounts or certificates of deposit. Article 18A, Section 858(14) of the State General Municipal Law authorizes the Agency to designate depositories. In accordance with this Article, five (5) banks are designated as depositories for Agency funds. Rates are competitively procured for each deposit, with no more than 60% of its total investments in any one institution.

CONTACTING THE AGENCY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency’s finances and to demonstrate the Agency’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Agency’s Chief Executive Officer at 19 Commerce Lane, Suite 1, Canton, New York 13617.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015**

	<u>12/31/2016</u>	<u>12/31/2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,230,779	\$ 2,395,079
Cash - Interest Bearing (Special Reserve)	2,000,000	2,000,000
Accounts Receivable	32,607	42,818
Accrued Interest Receivable	686	48
Grant Receivable	5,737,824	166,309
Leases Receivable	55,750	19,856
Mortgages Receivable	-	6,942
Capital Lease Receivable	36,729	35,772
Prepaid Expenses	<u>17,897</u>	<u>6,380</u>
Total Current Assets	<u>9,112,272</u>	<u>4,673,204</u>
Long-Term Assets		
Capital Assets		
Nondepreciable	281,353	662,788
Depreciable, Net of Accumulated Depreciation	3,149,399	3,228,022
Leases Receivable, Net of Current Portion	1,491	57,735
Capital Lease Receivable, Net of Current Portion	<u>261,993</u>	<u>298,959</u>
Total Long-Term Assets	<u>3,694,236</u>	<u>4,247,504</u>
Total Assets	<u>12,806,508</u>	<u>8,920,708</u>
Deferred Outflows of Resources - Pension	<u>336,761</u>	<u>70,529</u>
LIABILITIES		
Current Liabilities		
Rental and Refundable Deposits	1,000	5,700
Accrued Expenses - Other	622,578	1,921
Deferred Revenue	48,200	3,898
Long Term Debt - Current Portion	<u>3,208,200</u>	<u>99,165</u>
Total Current Liabilities	<u>3,879,978</u>	<u>110,684</u>
Long-Term Liabilities		
Compensated Absences	169,084	209,484
Postemployment Benefits Other Than Pensions	745,149	589,003
Long Term Debt - Less Current Portion	1,337,062	1,438,211
Net Pension Liability - Proportionment Share	<u>324,593</u>	<u>73,014</u>
Total Long-Term Liabilities	<u>2,575,888</u>	<u>2,309,712</u>
Total Liabilities	<u>6,455,866</u>	<u>2,420,396</u>
Deferred Inflows of Resources - Pension	<u>67,071</u>	<u>19,312</u>
NET POSITION		
Net Investment in Capital Assets	1,992,540	2,353,434
Unrestricted - Assigned	2,000,000	2,000,000
Unrestricted - Unassigned	<u>2,627,792</u>	<u>2,198,095</u>
Total Net Position	<u>\$ 6,620,332</u>	<u>\$ 6,551,529</u>

The accompanying notes are an integral part of these financial statements.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>12/31/2016</u>	<u>12/31/2015</u>
REVENUES		
Operating Project Revenues		
Rent Income - Massena Lot 17	\$ 24,800	\$ 22,800
Grant Income - Newton Falls Rail Repair	6,394,071	913,290
Rent Income - Potsdam Commerce Park	33,510	24,361
Grant Income - Canton Industrial Park	470,000	-
Rent Income - Canton Industrial Building	3,001	27,313
Interest Income - Loans	9,501	10,785
Interest Income - Banks	407	643
Grant Income - National Grid Marketing	25,000	-
Grant Income - J & L Project	110,262	-
Administration Fees	407,200	607,200
Pilot - Tamarack	17,724	5,251
Project Fees - CDC	364,225	-
Project Fees	<u>5,950</u>	<u>35,149</u>
 Total Revenues	 <u>7,865,651</u>	 <u>1,646,792</u>
EXPENSES		
Operating Project Expenses		
Gouverneur Industrial Park	755	1,715
Massena - Lot 17	31,825	30,708
Massena - Lot 20	-	343
Newton Falls Rail Repair	6,400,988	284,754
Potsdam Commerce Park	26,316	28,290
Canton Industrial Park	382,490	2,748
Canton Industrial Building	74,513	84,691
Pilot - Tamarack	17,724	5,251
Project Expense - J & L	110,262	-
Administrative Operating Expenses	<u>718,383</u>	<u>821,246</u>
 Total Expenses	 <u>7,763,256</u>	 <u>1,259,746</u>
 Excess (Deficiency) of Revenues Over Expenses	 102,395	 387,046
Changes in NYSLRS Pension Plan	(33,592)	-
Implementation of GASB 68	<u>-</u>	<u>(92,326)</u>
 Change in Net Position	 68,803	 294,720
 Net Position - Beginning of Year	 <u>6,551,529</u>	 <u>6,256,809</u>
 Net Position - End of Year	 <u>\$ 6,620,332</u>	 <u>\$ 6,551,529</u>

The accompanying notes are an integral part of these financial statements.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>12/31/2016</u>	<u>12/31/2015</u>
Cash Flows from Operating Activities		
Cash Received from Others for Services and Grants	\$ 2,343,311	\$ 1,532,319
Cash Paid for Goods and Services	(6,054,319)	(513,908)
Cash Paid for Employee Services	(342,530)	(373,157)
Cash Paid for Employee Benefits	<u>(158,559)</u>	<u>(187,709)</u>
Net Cash Provided (Used) By Operating Activities	<u>(4,212,097)</u>	<u>457,545</u>
Cash Flows from Investing Activities		
Issuance of New Leases	-	(35,000)
Payments Received on Mortgages and Leases	<u>63,301</u>	<u>74,866</u>
Net Cash Provided (Used) By Investing Activities	<u>63,301</u>	<u>39,866</u>
Cash Flows from Capital and Financing Activities		
Purchase of Property and Equipment	(23,390)	(121,256)
Proceeds Received From Long-Term Debt	3,107,051	-
Payments Made on Long-Term Debt	<u>(99,165)</u>	<u>(122,023)</u>
Net Cash Provided (Used) By Financing Activities	<u>2,984,496</u>	<u>(243,279)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,164,300)	254,132
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,395,079</u>	<u>2,140,947</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,230,779</u>	<u>\$ 2,395,079</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Change in Net Position	\$ 68,803	\$ 294,720
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities		
Depreciation	102,014	91,558
Transfer of Property	381,435	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	10,211	47,041
Accrued Interest Receivable	(638)	889
Grants Receivable	(5,571,515)	(166,309)
Prepaid Expenses	(11,517)	83,815
Rental and Refundable Deposits	(4,700)	8
Accrued Expenses - Other	620,656	(53,841)
Deferred Revenue	44,302	3,898
Compensated Absences	(40,400)	3,681
Postemployment Benefits	156,146	130,288
Net Pension Liability	251,579	73,014
Net Deferred Outflows/Inflows	<u>(218,473)</u>	<u>(51,217)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (4,212,097)</u>	<u>\$ 457,545</u>

The accompanying notes are an integral part of these financial statements.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the St. Lawrence County Industrial Development Agency (Agency) have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Certain significant accounting principles and policies utilized by the Agency are described below.

Reporting Entity

The reporting entity of the Agency is based upon Criteria set forth by *GASB Statement 14, The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The accompanying financial statements present the activities of the Agency.

Nature of Organization

The Agency is an industrial development agency duly established under Title 1, Article 18-A of the General Municipal Law of the State of New York and Chapter 358 of the laws of 1971 of the State of New York, and is a corporate governmental agency constituting a public benefit corporation of the State of New York. The Agency is exempt from federal, state, and local income taxes.

Measurement Focus and Basis of Accounting

The Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, may include grants and donations. On an accrual basis, revenue is recognized in the fiscal year for which the revenue is earned. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and savings instruments with a maturity of less than three months.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Allowance for Bad Debts

The Agency has elected not to establish an allowance for bad debts since all receivables are deemed collectible. An allowance will be established when an event occurs in the future that would necessitate a reserve.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets are reported at actual cost. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Agency-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight Line (SL)	40 Yr.
Building Improvements	1,000	SL	10 Yr.
Land Improvements	1,000	SL	3 Yr.
Automotive Equipment	2,500	SL	5 Yr.

Deferred Revenue

The Agency recognizes revenue when it is earned. Revenue associated with cash receipts received in advance from rental operations is deferred until the month they are earned.

Vested Employee Benefits

Agency employees are granted vacation and sick time in varying amounts based primarily on length of service. There are limits on the amount of time that can be either accrued and/or used during any one fiscal year. Also, in the event of certain terminations, some earned benefits may be forfeited.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Vested Employee Benefits (Continued)

Personal time and other forms of leave are specified in the Agency's Employee Handbook. Personal time must be utilized during a 12 month period that begins on the first day of the month the employee was hired. Personal time is non-cumulative from year to year. Any unused time at the end of the employee's anniversary year will be subject to forfeiture. Sick and vacation leave is cumulative from year to year with maximum accruals based on years of service as outlined in the employee handbook. Upon retirement, resignation, or death, employees may receive a payment for accrued vacation and personal time based on the employee's regular rate of pay. Upon retirement, employees may receive a medical insurance credit based on unused sick time accrued at the employee's regular rate of pay as outlined in the employee handbook. Consistent with *GASB Statement 16, Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year end.

Eligible Agency employees participate in the New York State and Local Employees Retirement System. In addition to providing pension benefits, the Agency participates in a health insurance program through St. Lawrence County which provides medical insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Agency's employees may become eligible for these benefits if they reach normal retirement age while working for the Agency. Medical benefits are provided through a plan whose premiums are based on the benefits paid during the year. The Agency recognizes the cost of providing medical insurance by recording its share of insurance premiums as expenditures in the year paid.

Postemployment Benefits Other Than Pensions (OPEB)

In addition to providing the retirement benefits described in the Note above, the Agency provides post-employment health insurance coverage to its retired employees and their survivors. The payment of this benefit is not governed by any employment contract and is done at the discretion of the Agency Board. In 2004, the Governmental Accounting Standards Board (GASB) released *Statement No. 45 (GASB 45)* concerning health and other non-pension benefits for retired public employees. *GASB 45* was issued to provide more complete and reliable financial reporting regarding the costs and financing obligations that governments incur when they provide OPEB as part of employee compensation. In 2010, the Agency implemented *GASB 45*.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Budgetary Procedures and Budgetary Accounting

The Agency administration prepares a proposed budget for operations each year for approval by the Board of Directors. Appropriations are adopted at the program line item level as established by the adoption of the budget which constitutes a limitation on expenditures which may be incurred. Appropriations lapse at the end of the fiscal year unless expended. Budgets are adopted annually on a basis consistent with GAAP.

Implementation of New GASB Pronouncements

The Agency adopted the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pension*. GASB Statement 68 replaces the requirements of GASB Statements Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The employer liability is to be measured as the difference between the present values of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. In 2015, the Agency implemented *GASB 68*.

Subsequent Events

Management has reviewed and evaluated all events and transactions from January 1, 2017 through March 15, 2017, the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized or disclosed in the accompanying financial statements.

NOTE 2 - NET POSITION CLASSIFICATION

Net Investment in Capital Assets - Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets. The Agency had \$ 1,992,540 and \$ 2,353,434 invested in capital assets, net of related debt as of December 31, 2016 and 2015, respectively.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 - NET POSITION CLASSIFICATION (Continued)

Unrestricted Net Position - Reports all other net assets that do not meet the definition of the above classification and are deemed to be available for general use by the Agency. The unrestricted net position has two classifications, Unassigned and Assigned. The Agency's unassigned net position was \$ 2,627,792 and \$ 2,198,095 as of December 31 2016 and 2015, respectively. The assigned net position was \$ 2,000,000 for both December 31, 2016 and 2015. The Board of Directors designated the assigned net position of \$ 2,000,000 in 2001 for the purpose of assisting in the future solvency of the Agency.

NOTE 3 - CASH AND INVESTMENTS

The Agency's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the Agency's investment policies. Resources must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value.

NOTE 4 - MORTGAGES RECEIVABLE

The Agency carries its mortgages receivable at cost, recognizing interest income on the accrual basis as specified in the various loan agreements. On a periodic basis, the Agency evaluates its mortgages receivable and will establish write offs as conditions warrant. All mortgages are considered collectible until all legal remedies have been exhausted. Balances at December 31, 2016 and 2015 are as follows:

<u>Mortgages</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Collateral</u>	<u>Original Amount</u>	<u>Balance 2016</u>	<u>Balance 2015</u>
Atlantic Testing Laboratories	5.250%	12/1/2016	Building	\$ 188,478	\$ -	\$ 6,942

NOTE 5 - LEASES RECEIVABLE

The Agency carries leases receivable at cost. Balances at December 31, 2016 and 2015 are as follows:

<u>Leases</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Collateral</u>	<u>Original Amount</u>	<u>Balance 2016</u>	<u>Balance 2015</u>
High Peaks Winery	0.000%	8/1/2019	Equipment	\$ 5,336	\$ 1,778	\$ 2,541
Fockler Industries, LLC	2.650%	6/1/2017	Equipment	92,790	17,139	33,877
North Country Grown	0.000%	3/1/2018	Truck	8,547	3,324	6,173
St. Lawrence Brewing	0.000%	12/1/2021	Equipment	35,000	35,000	35,000
					<u>\$ 57,241</u>	<u>\$ 77,591</u>

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 - LEASES RECEIVABLE (Continued)

Future maturities of the leases receivable are as follows:

	<u>Capital Lease</u>	
	<u>Receivable</u>	
December 31, 2017	\$	55,750
2018		1,237
2019		<u>254</u>
	\$	<u><u>57,241</u></u>

All leases are considered collectible until all legal remedies have been exhausted.

NOTE 6 - CAPITAL LEASE (LEASE-PURCHASE AGREEMENT)

The Agency leases a building to OP-TECH Environmental Services, Inc. under a lease-purchase agreement. The lease period is from July 1, 2009 to May 11, 2024 with current monthly lease payments including interest of \$ 3,677.56 and a current interest rate of 2.625%. The interest rate adjusts to market every five years.

Future minimum lease payments under the capital lease are as follows:

December 31, 2017	\$	36,729
2018		37,705
2019		38,707
2020		39,735
2021		40,791
Thereafter		<u>105,056</u>
	\$	<u><u>298,723</u></u>

NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2016 is as follows:

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Nondepreciable				
Land	\$ 166,250	\$ -	\$ -	\$ 166,250
Land Improvements	<u>496,538</u>	<u>-</u>	<u>381,435</u>	<u>115,103</u>
Total nondepreciable historical cost	<u>662,788</u>	<u>-</u>	<u>381,435</u>	<u>281,353</u>
Depreciable				
Building and Improvements	3,654,780	-	-	3,654,780
Automotive Equipment	39,578	23,390	23,408	39,560
Office Equipment and Furnishings	<u>27,096</u>	<u>-</u>	<u>-</u>	<u>27,096</u>
Total depreciable historical cost	3,721,454	23,390	23,408	3,721,436
Less accumulated depreciation	<u>493,432</u>	<u>102,013</u>	<u>23,408</u>	<u>572,037</u>
Total depreciable historical cost, net	<u>3,228,022</u>			<u>3,149,399</u>
Total capital assets historical cost, net	<u>\$ 3,890,810</u>			<u>\$ 3,430,752</u>

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to activities as follows:

	<u>2016</u>	<u>2015</u>
Massena - Lot 17 Building	\$ 20,124	\$ 10,200
Potsdam Commerce Park Building	22,263	22,263
Canton Industrial Building	<u>54,686</u>	<u>54,686</u>
Total Depreciation Charged to Activities	97,073	87,149
Administrative Operating	<u>4,941</u>	<u>4,409</u>
Total Depreciation Expense	<u>\$ 102,014</u>	<u>\$ 91,558</u>

NOTE 8 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Agency has reported amounts in deferred outflows of resources and deferred inflow of resources related to their pension plan held by New York State and Local Employees' Retirement System.

NOTE 9 - PENSION PLANS

Plan Description

The St. Lawrence County Industrial Development Agency participates in the New York State and Local Employees' Retirement System (ERS) which, along with the New York State and Local Police and Fire Retirement System (PFRS), is collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public 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

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 - PENSION PLANS (Continued)

Plan Description (Continued)

plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Agency also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at 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.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 - PENSION PLANS (Continued)

Benefits Provided (Continued)

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25 Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20 Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 - PENSION PLANS (Continued)

Benefits Provided (Continued)

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$ 50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$ 18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 - PENSION PLANS (Continued)

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, 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 percent of the contributions required, and were as follows:

2016	\$	74,013
2015		81,609
2014		83,571

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

At December 31, 2016, the Agency reported a liability of \$ 324,593 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's portion of the net pension liability is based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2016, the Agency's proportionate share was \$ 324,593, which was an increase of \$ 251,579 from its proportion measured as of March 31, 2016.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 - PENSION PLANS (Continued)

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

For the year ended December 31, 2016, the Agency recognized pension expense of \$ 107,604. At December 31, 2016, the Agency reported deferred outflows of resources and deferred 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	\$ 1,640	\$ 38,475
Change of Assumptions	86,559	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	192,566	-
Changed in Proportion and Differences between Employer Contribution and Proportionate Share of Contributions	-	28,596
Employer Contributions Subsequent to the Measurement Date	<u>55,996</u>	<u>-</u>
Total	<u>\$ 336,761</u>	<u>\$ 67,071</u>

The \$ 55,996 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
March 31:	
2017	\$ 53,095
2018	53,095
2019	53,095
2020	<u>54,409</u>
	<u>\$ 213,694</u>

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>
Inflation	2.50%
Salary Increase	3.80%
Investment Rate of Return (Net of Investment Expense, including Inflation)	7.00%

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 - PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	7.30%
International Equity	8.55%
Private Equity	11.00%
Real Estate	8.25%
Absolute Return Strategies	6.75%
Opportunistic Portfolio	8.60%
Real Assets	8.65%
Bonds and Mortgages	4.00%
Cash	2.25%
Inflation-Indexed Bonds	4.00%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 - PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents Agency's proportionate share of the net position liability calculated using the discount rate of 7.0%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	<u>Decrease (6.0%)</u>	<u>Assumption (7.0%)</u>	<u>Increase (8.0%)</u>
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 731,934	\$ 324,593	\$ (19,592)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows:

	<u>Employees Retirement System (Dollars in Thousands)</u>	
Employer' Total Pension Liability	\$	172,303,544
Plan Net Position		<u>(156,253,265)</u>
Employers' Net Pension Liability	\$	<u>16,050,279</u>
 Ration of Plan Net Position to the Employers Total Pension Liability		 90.7%

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Annual Other Postemployment Benefit expense for the year ended December 31, 2016 amounted to \$ 156,146. At December 31, 2016, the postemployment benefit liability amounted to \$ 745,149.

For OPEB purposes, the participant valuation date is January 1, 2016. The number of participants as of that date is as follows:

Active Employees	6
Retired Employees	1
Spouses of Retired Employees	<u>0</u>
Total Participants	<u><u>7</u></u>

Funding Policy – The Agency currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue. Annual Other Postemployment Benefit expense for the year ended December 31, 2016 amounted to \$ 156,146.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

A summary of the actuarial assumptions and calculated results follows:

Benefit Obligations and Normal Cost	
Actuarial Accrued Liability (AAL)	\$ <u>1,434,058</u>
Normal Cost for a Fiscal Year	89,931
Amortization of Unfunded UAAL	<u>94,056</u>
Annual Required Contribution	<u>183,987</u>
Annual OPEB and Net OPEB Obligation	
Annual Require Contribution	\$ 183,987
Interest on Net OPEB Obligation	23,560
Adjustment to Annual Required Contribution	<u>(37,145)</u>
Annual OPEB Cost (Expense)	170,402
Less:	
Contribution Made to Plan During Fiscal Year	<u>14,256</u>
Increase in Net OPEB Obligation	156,146
Net OPEB Obligation - Beginning of Year	<u>589,003</u>
Expected Net OPEB Obligation - End of Year	\$ <u>745,149</u>
Actuarial Methods and Assumptions	
Discount Rate	4.0%

NOTE 11 - LONG-TERM LIABILITIES

Greater Massena Economic Development Fund (GMEDF): On May 31, 2002, the Agency adopted Resolution # 02-05-35, authorizing the application to the GMEDF for a loan to assist in the financing to expand the Fifth Massena Industrial Building and to also construct the Sixth Massena Industrial Building. The structure of project financing follows:

Empire State Development	\$ 400,000
Senator Raymond Meier Member Item	100,000
GMEDF	600,000
IDA Cash Equity	<u>935,000</u>
Total	\$ <u>2,035,000</u>

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 - LONG-TERM LIABILITIES (Continued)

St. Lawrence County Industrial Development Agency Local Development Corporation (Canton Industrial Building): On December 4, 2014, the Agency closed a \$ 1,400,000 loan from the SLCIDA-LDC consisting of \$ 700,000 from the River Valley Redevelopment Agency loan fund and \$ 700,000 from the SLCIDA-LDC revolving loan fund to finance some of the construction costs of the Canton Industrial Building. The Agency mortgaged the property to the SLCIDA-LDC as security for the loan. The River Valley Redevelopment Agency portion of the loan has a 7 year repayment with a 20 year amortization with an interest rate of 1%. The remaining portion of the loan has a 30 year amortization with an interest rate of ½ of 1%.

Various Lending Agencies (Newton Falls Rail Rehabilitation Project): During 2016, through various resolutions, the Board approved the following loans from NBT Bank, River Valley Redevelopment Agency (SLRVRA), and Development Authority of the North Country (DANC) to provide gap funding necessary for the rail rehabilitation project. The structure of project financing follows:

NBT (\$ 3,500,000 line of credit)	\$ 857,051
SLRVRA	750,000
DANC - Loan 1	750,000
DANC - Loan 2	<u>750,000</u>
Total	<u>\$ 3,107,051</u>

Long-term liabilities as of December 31, 2016 and 2015 consisted of the following:

Holder	Interest Rate	Maturity	Original Amount	Balance 2016	Balance 2015
GMEDF - GM Vendor	3.375%	12/01/19	\$ 600,000	\$ 145,614	\$ 190,898
SLCIDA-SLRVRA - Canton Industrial Building	1.000%	11/01/21	700,000	636,081	668,177
SLCIDA-LDC - Canton Industrial Building	0.500%	11/01/44	700,000	656,516	678,301
NBT - Rail - Line of Credit of up to \$ 3,500,000	3.750%	09/30/17	857,051	857,051	-
SLCIDA-SLRVRA - Rail	1.500%	09/30/17	750,000	750,000	-
DANC - Rail Loan 1	1.500%	05/01/17	750,000	750,000	-
DANC - Rail Loan 2	1.500%	06/01/17	750,000	<u>750,000</u>	-
				<u>\$ 4,545,262</u>	<u>\$ 1,537,376</u>

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 - LONG-TERM LIABILITIES (Continued)

Future maturities of long-term debt are projected as follows:

December 31, 2017	\$ 3,208,200	\$ 34,455
2018	103,189	11,591
2019	105,523	9,492
2020	55,630	8,128
2021	56,077	7,681
2022 - 2026	287,224	31,562
2027 - 2031	299,003	19,782
2032 - 2036	233,255	8,218
2037 - 2041	122,196	3,434
2042 - 2044	74,965	581
	<u>\$ 4,545,262</u>	<u>\$ 134,924</u>

NOTE 12 - INDUSTRIAL REVENUE BOND ISSUES

At the date of these financial statements, the Agency had participated in fifty such bond issues in the total original issue amount of \$ 755,610,700. These issues were made at various times between February 1973 and December 31, 2016. These issues are not reflected in the financial statements since they are considered to be special obligations of the Agency having no claim on the general assets or general funds of the Agency.

NOTE 13 - ST. LAWRENCE COUNTY IDA LOCAL DEVELOPMENT CORPORATION

On April 29, 1986, the Agency created a Local Development Corporation known as the St. Lawrence County Industrial Development Agency Local Development Corporation (SLCIDA-LDC). St. Lawrence County assigned all of the loan repayments from certain County Community Development Block Grant (CDBG) Projects to the Agency for the purpose of establishing a county wide revolving loan fund. Upon the formation of the SLCIDA-LDC, the SLCIDA assigned all of its rights in the CDBG assignment to the SLCIDA-LDC for collection and administration.

NOTE 14 - MASSENA LOT 17 AND MASSENA LOT 20 BUILDINGS

In 2005, the Agency acquired the Massena Lots 17 and 20 buildings as part of a loan settlement agreement with Michele Audio Corporation of America.

In 2014, after Media Accessories.Com, Inc. defaulted on its lease/purchase agreement for the Agency's Lot 17 building in the Massena Industrial Park, the Agency terminated its contract with the company and resumed full ownership of the property. The Agency assumed on a month to month basis the lease that NY Power Tools had in place with Media Accessories.com, Inc. for some of the space in the building.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 15 - CANTON INDUSTRIAL PARK

By Resolution # IDA-12-12-49 dated December 11, 2012, the Agency assigned a value of \$ 166,250 to the land that constitutes the Canton Industrial Park (CIP) which had been donated to the Agency by St. Lawrence County in 2011. In 2012, the Agency applied for and was awarded funds through New York State's Regional Economic Development program to build out the infrastructure of the CIP. In April 2013, the Agency executed an Incentive Proposal issued by Empire State Development (ESD) under which ESD committed to grant up to \$ 470,000 to the Agency for site preparation, including roads, water, and sewer in the CIP. In late 2013, the Agency began to make such improvements; they were substantially completed in 2014. In 2016, the Agency received a final grant award of \$ 470,000 from Empire State Development.

NOTE 16 - ST. LAWRENCE COUNTY IDA CIVIC DEVELOPMENT CORPORATION

On January 7, 2010, a resolution was passed by the Agency that authorized staff to pursue the creation of a local development corporation to assist 501(c)(3) organizations in financing much-needed construction and expansion projects. The expiration of Civic Facilities Bond legislation had severely inhibited the ability of local industrial development agencies to assist 501(c)(3) organizations in financing much-needed construction and expansion projects. On April 13, 2010, the St. Lawrence County Industrial Development Agency Civic Development Corporation (SLCIDA-CDC) was created for this purpose.

NOTE 17 - NEWTON FALLS SECONDARY LINE

On December 23, 1991, the Agency took title to the St. Lawrence County portion of the 46.25 mile Newton Falls Secondary Line (the "Railroad"). In May of 2012, the Agency and the Mohawk Adirondack & Northern (MA&N) executed an operating agreement under which the Agency's ownership of the Railroad was confirmed and which structured the Agency's lease of the Railroad to MA&N and set conditions under which MA&N might take future ownership of the Railroad.

On October 25, 2012, the Agency executed an Incentive Proposal issued by Empire State Development (ESD) (originally dated March 7, 2012 and revised on September 7, 2012) under which ESD committed to grant up to \$ 9.972 million to the Agency to rehabilitate the entire Railroad. The Incentive Proposal split the grant into two phases – Phase 1 amounting up to \$ 1.3 million to be used for pre-construction costs that would enable the Agency to clear the line, appraise the repairs required, and prepare specifications and bid documents; Phase 2 amounting up to \$ 8.672 million to be used for the actual rehabilitation work.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 17 - NEWTON FALLS SECONDARY LINE (Continued)

Beginning after October 25, 2012, the Agency began incurring expenses for the Phase 1 pre-construction costs and by December 31, 2015, the pre-construction phase was complete with cumulative costs totaling \$ 1,316,129. On February 7, 2014, the Urban Development Corporation, acting on behalf of ESD, sent the Agency an executed Grant Disbursement Agreement which structured the Phase 1 grant process and authorized the Agency to request reimbursement for pre-construction expenses dating back to October 25, 2012. Total reimbursements received by the Agency pursuant to the Phase 1 Grant Disbursement Agreement totaled \$ 1,300,000.

Phase 2 of the project began in 2016 and is expected to be completed in 2017. During 2016, rehabilitation costs totaled \$ 6,388,948 while grant reimbursement totaled \$ 731,009. The Agency expects to receive full grant reimbursement in 2017.

NOTE 18 - LITIGATION

There are several miscellaneous public improvement liens on projects which the Agency “owns.” However, no actions have been commenced to foreclose these liens. Should actions be commenced, counsel advises that the Agency will take appropriate measures.

NOTE 19 - RECOGNITION OF CERTAIN GRANT REVENUE AND EXPENDITURES

Occasionally the Agency (as “grantee”) applies for and receives grants from government agencies and other organizations. These grants are usually “reimbursement grants”, i.e., the monies from the grants are only paid to the grantee as reimbursements after the grantee has documented to the grantor that the grantee has achieved defined benchmarks, paid out required funds, and otherwise complied with all other required grant conditions. Projects in which such grants are involved often span several fiscal years and long delays in the reimbursement process are frequent. Consequently, in cases involving reimbursement grants, the Agency does not accrue expected grant revenue or receivables until it has complied with the conditions of the grant agreement(s) and submitted the necessary documentation that will trigger the payment process. Until such documentation has been submitted, and accepted, the grantor still has substantial discretion to deny or reduce payment. Accordingly, at year end the Agency does not accrue any revenues/expenses or receivables/payables associated with items to be paid out for future grant reimbursement unless the Agency is satisfied that it has complied with all grant reimbursement eligibility requirements. These items are usually paid out in the subsequent period and will be recorded as project expenses. There were no such reimbursement grants active as of December 31, 2016.

From time to time, the Agency will act as a “grantor” in a “pass through” capacity only where it applies for grants on behalf of other entities and then in turn acts as the official “grantor”. Since these grants are also reimbursement grants, the Agency has adopted the same policy as stated above when acting as a “pass through grantor”. As of December 31, 2016, there were no active grants of this nature.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 20 - CONCENTRATION OF CREDIT RISK

At December 31, 2016, the consolidated entities had bank balances totaling \$ 3,297,449. At December 31, 2016, there was a balance of \$ 2,900 of cash uninsured. A combination of federal depository insurance and securities pledged and held by the bank fully covered the remaining cash balances.

NOTE 21 - RELATED PARTY TRANSACTIONS

The Agency is related to the following entities through:

- St. Lawrence County Industrial Development Agency Civic Development Corporation (SLCIDA-CDC)
- Common Board Membership and Officers
- St. Lawrence County Industrial Development Agency Local Development Corporation (SLCIDA-LDC)
- Common Board Membership, Officers and Program Administrative Agreements
- Greater Massena Economic Development Fund (GMEDF)
- Program Administrative Agreements

In 2016, SLCIDA-CDC paid SLCIDA \$ 364,225. This amount represents one-half of the bond fees received by SLCIDA-CDC in 2016. There are no restrictions on the payment and the payment was made in accordance with enabling legislation and in accordance with resolution CDC-10-10-17, passed on October 10, 2010. This resolution adopted a policy which authorized the transfer to the St. Lawrence County Industrial Development Agency 50% of any and all Project/Bond Fees the Corporation receives.

The SLCIDA-LDC, GMEDF, and SLRVRA have loaned funds to the Agency. Information on these loans can be found in Note 11 of these financial statements.

Administrative fees paid by SLCIDA-LDC to the Agency totaled \$ 200,000 for both 2016 and 2015.

Administrative fees paid by GMEDF to the Agency totaled \$ 7,200 for both 2016 and 2015.

NOTE 22 - RECLASSIFICATIONS

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ST LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NYSLRS PENSION PLAN

	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.0020224%	0.0021613%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 324,593	\$ 73,014
Employer's Covered-Employee Payroll	\$ 342,530	\$ 376,838
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	94.76%	19.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.7%	97.9%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NYSLRS PENSION PLAN

Contractually Required Contribution	\$ 55,996	\$ 74,013
Contributions in Relation to the Contractually Required Contribution	<u>55,996</u>	<u>74,013</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered-Employee Payroll	\$ 342,530	\$ 376,838
Contribution as a Percentage of Covered-Employee Payroll	16.35%	19.64%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULES OF REVENUES AND EXPENSES BY PROJECT
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

2016

	Gouverneur Industrial Park	First Gouverneur Industrial Building	Massena Lot 17	Massena Lot 20	Newton Falls Rail Repair	Potsdam Commerce Park	Canton Industrial Park	Canton Industrial Building
OPERATING REVENUES								
Rental Income	\$ -	\$ -	\$ 24,800	\$ -	\$ -	\$ 33,510	\$ -	\$ 3,001
Other Income	-	-	-	-	6,394,071	-	470,000	-
Total Income	-	-	24,800	-	6,394,071	33,510	470,000	3,001
OPERATING EXPENSES								
Accounting	-	-	-	-	1,800	-	-	-
Insurance	50	-	4,758	-	-	3,057	1,055	5,201
Interest	-	-	-	-	10,239	-	-	9,841
Maintenance	705	-	5,498	-	-	996	-	2,958
Miscellaneous	-	-	-	-	-	-	-	-
Property Transfer	-	-	-	-	-	-	381,435	-
Rehabilitation Project	-	-	-	-	6,388,949	-	-	-
Utilities	-	-	1,445	-	-	-	-	1,827
Total Operating Expenses	755	-	11,701	-	6,400,988	4,053	382,490	19,827
NON-OPERATING EXPENSES								
Depreciation	-	-	20,124	-	-	22,263	-	54,686
Total Expenses	755	-	31,825	-	6,400,988	26,316	382,490	74,513
Excess of Revenues Over Expenses	\$ (755)	\$ -	\$ (7,025)	\$ -	\$ (6,917)	\$ 7,194	\$ 87,510	\$ (71,512)

2015

	Gouverneur Industrial Park	First Gouverneur Industrial Building	Massena Lot 17	Massena Lot 20	Newton Falls Rail Repair	Potsdam Commerce Park	Canton Industrial Park	Canton Industrial Building
OPERATING REVENUES								
Rental Income	\$ -	\$ -	\$ 22,800	\$ -	\$ -	\$ 24,361	\$ -	\$ 27,313
Other Income	-	-	-	-	913,290	-	-	-
Total Income	-	-	22,800	-	913,290	24,361	-	27,313
OPERATING EXPENSES								
Accounting	-	-	-	-	3,600	-	-	-
Insurance	90	-	7,596	-	-	4,900	1,675	8,198
Interest	-	-	-	343	-	-	-	10,286
Maintenance	1,625	-	10,157	-	-	1,127	-	10,028
Miscellaneous	-	-	-	-	-	-	1,073	-
Rehabilitation Project	-	-	-	-	281,154	-	-	-
Utilities	-	-	2,755	-	-	-	-	1,493
Total Operating Expenses	1,715	-	20,508	343	284,754	6,027	2,748	30,005
NON-OPERATING EXPENSES								
Depreciation	-	-	10,200	-	-	22,263	-	54,686
Total Expenses	1,715	-	30,708	343	284,754	28,290	2,748	84,691
Excess of Revenues Over Expenses	\$ (1,715)	\$ -	\$ (7,908)	\$ (343)	\$ 628,536	\$ (3,929)	\$ (2,748)	\$ (57,378)

See Independent Auditor's Report.

ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULES OF ADMINISTRATIVE OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES		
Salaries and Wages	\$ 302,130	\$ 380,519
Employee Benefits	134,014	157,239
Payroll Taxes	24,545	26,789
OPEB Expense	156,146	130,288
Accounting/Audit	5,938	5,850
Data Processing Services	4,144	3,945
Depreciation	4,941	4,409
Educational Workshops	3,080	2,800
Insurance	8,533	10,054
Interest Expense	5,621	7,126
Legal Fees	17,263	8,113
Meetings	819	938
Miscellaneous	158	8,807
Office Supplies and Postage	4,967	5,143
Other Travel	6,857	8,111
Payroll Fees	3,518	3,252
Printing and Copying	431	661
Professional Associations	175	2,119
Promotion and Marketing	20,628	37,517
Rent and Maintenance	1,649	3,392
Subscriptions and Periodicals	537	571
Telephone	7,009	6,906
Utilities	3,975	4,478
Vehicle Repairs and Maintenance	<u>1,305</u>	<u>2,219</u>
 Total Operating Expenses	 <u>\$ 718,383</u>	 <u>\$ 821,246</u>

**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***



Pinto·Mucenski·Hooper
Van House & Co.
Certified Public Accountants, P.C.

301 Ford Street
P.O. Box 327
Ogdensburg, NY 13669
(315) 393-7502
Fax: (315) 393-9231
www.pmhvcpa.com

**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**

Board of Directors
St. Lawrence County Industrial Development Agency
Canton, New York

We have audited, 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, the financial statements of the business-type activities of the St. Lawrence County Industrial Development Agency (Agency) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 15, 2017.

Internal Control over Financial Reporting

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

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

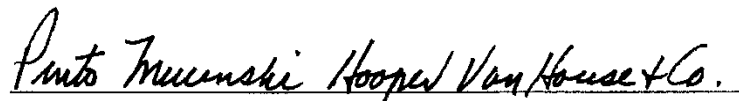
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The 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.


Pauto Mucinski Hooper Van House & Co.
Certified Public Accountants, P.C.

March 15, 2017