

Carthage Industrial Development Corporation
Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

Carthage Industrial Development Corporation
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December 31, 2023 and 2022

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Independent Auditors' Report

Board of Directors
Carthage Industrial Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Carthage Industrial Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Carthage Industrial Development Corporation as of December 31, 2023 and 2022, and the changes in its net assets 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carthage Industrial Development Corporation 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 opinions.

Responsibilities of Management 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, 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.

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 Carthage Industrial Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 judgment 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 Carthage Industrial Development Corporation's internal control. Accordingly, no such opinion is expressed.

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- 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 Carthage Industrial Development Corporation'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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024 on our consideration of the Carthage Industrial Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing, and not to provide an opinion on the effectiveness of Carthage Industrial Development Corporation'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 Carthage Industrial Development Corporation's internal control over financial reporting and compliance.

Stackel & Navarra, CPA, PC

Watertown, NY

April 29, 2024

Carthage Industrial Development Corporation
Statement of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash	\$ 491,288	\$ 349,059
Certificates of deposit	849,410	839,984
Restricted cash	185,668	179,303
Rent receivable	21,972	64,872
Note receivable, current portion	<u>-</u>	<u>2,867</u>
Total current assets	<u>1,548,338</u>	<u>1,436,085</u>
Property and equipment, net	<u>2,655,004</u>	<u>2,725,889</u>
Other Assets		
Lease acquisition costs, net	<u>24,763</u>	<u>26,178</u>
Total other assets	<u>24,763</u>	<u>26,178</u>
Total Assets	<u>\$ 4,228,105</u>	<u>\$ 4,188,152</u>
Liabilities and net assets		
Net Assets		
Net assets without donor restrictions	4,042,437	4,008,849
Net assets with donor restrictions	<u>185,668</u>	<u>179,303</u>
Total Net Assets	<u>4,228,105</u>	<u>4,188,152</u>
Total Liabilities and Net Assets	<u>\$ 4,228,105</u>	<u>\$ 4,188,152</u>

See notes to financial statements.

Carthage Industrial Development Corporation
Statement of Activities
Year Ended December 31, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Ground lease- rental income	\$ 132,308	\$ -	\$ 132,308
Interest income	9,642	191	9,833
Other income	<u>-</u>	<u>31,586</u>	<u>31,586</u>
 Total Support and Revenue	 141,950	 31,777	 173,727
Expenses			
Program services	126,579	-	126,579
Management and general	<u>7,195</u>	<u>-</u>	<u>7,195</u>
 Total Expenses	 <u>133,774</u>	 <u>-</u>	 <u>133,774</u>
 Change in Net Assets	 8,176	 31,777	 39,953
Release of restrictions	25,412	(25,412)	-
Net assets, beginning of year	<u>4,008,849</u>	<u>179,303</u>	<u>4,188,152</u>
Net assets, end of year	<u>\$ 4,042,437</u>	<u>\$ 185,668</u>	<u>\$ 4,228,105</u>

See notes to financial statements.

Carthage Industrial Development Corporation
Statement of Activities
Year Ended December 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Ground lease- rental income	\$ 206,263	\$ -	\$ 206,263
Interest income	4,054	177	4,231
Other income	<u>-</u>	<u>29,801</u>	<u>29,801</u>
 Total Support and Revenue	 210,317	 29,978	 240,295
Expenses			
Program services	120,731	-	120,731
Management and general	<u>8,151</u>	<u>-</u>	<u>8,151</u>
 Total Expenses	 <u>128,882</u>	 <u>-</u>	 <u>128,882</u>
 Change in Net Assets	 81,435	 29,978	 111,413
Net assets, beginning of year	<u>3,927,414</u>	<u>149,325</u>	<u>4,076,739</u>
Net assets, end of year	<u>\$ 4,008,849</u>	<u>\$ 179,303</u>	<u>\$ 4,188,152</u>

See notes to financial statements.

Carthage Industrial Development Corporation
Statement of Functional Expenses
Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Accounting fees	\$ 3,500	\$ 3,500	\$ 7,000
Contract services	1,500	1,500	3,000
Office expenses	30	30	60
Dues	-	500	500
Filing fees	-	250	250
Grants to others	20,000	-	20,000
Insurance	4,808	-	4,808
Legal fees	300	-	300
Real estate taxes	165	-	165
Depreciation and amortization	<u>96,276</u>	<u>1,415</u>	<u>97,691</u>
 Total Expenses	 <u>\$ 126,579</u>	 <u>\$ 7,195</u>	 <u>\$ 133,774</u>

See notes to financial statements.

Carthage Industrial Development Corporation
Statement of Functional Expenses
Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Accounting fees	\$ 4,324	\$ 4,324	\$ 8,648
Contract services	1,500	1,500	3,000
Office expenses	-	11	11
Dues	-	500	500
Filing fees	-	275	275
Grants to others	15,000	-	15,000
Insurance	4,592	-	4,592
Interest	-	126	126
Real estate taxes	229	-	229
Depreciation and amortization	<u>95,086</u>	<u>1,415</u>	<u>96,501</u>
 Total Expenses	 <u>\$ 120,731</u>	 <u>\$ 8,151</u>	 <u>\$ 128,882</u>

See notes to financial statements.

Carthage Industrial Development Corporation
Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 39,953	\$ 111,413
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation and amortization	97,691	96,501
Increase (decrease) in operating activities:		
Rents receivable	42,900	(24,221)
Grants receivable	-	6,500
Accrued interest receivable	-	1,556
	<u>180,544</u>	<u>191,749</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from maturity of certificates of deposit	839,984	635,657
Purchase of certificates of deposit	(849,410)	(839,984)
Purchase of property and equipment	(25,391)	-
Collection on note receivable	2,867	33,472
	<u>(31,950)</u>	<u>(170,855)</u>
Net cash used by investing activities		
Cash flows from financing activities		
Repayment of long-term debt	-	(8,333)
	<u>-</u>	<u>(8,333)</u>
Net cash used in financing activities		
Net increase in cash	148,594	12,561
Cash, beginning of year	<u>528,362</u>	<u>515,801</u>
Cash, end of year	<u>\$ 676,956</u>	<u>\$ 528,362</u>
Cash	\$ 491,288	\$ 349,059
Restricted cash	<u>185,668</u>	<u>179,303</u>
Total cash	<u>\$ 676,956</u>	<u>\$ 528,362</u>

See notes to financial statements.

Carthage Industrial Development Corporation
Notes to Financial Statements
December 31, 2023 and 2022

1 – Nature of Operations

The Carthage Industrial Development Corporation (CIDC) was incorporated under the not-for-profit laws of the State of New York on August 26, 1998. CIDC was formed to relieve and reduce unemployment, to promote and provide for additional and maximum employment, to better and to maintain job opportunities, to carry on scientific research for the purpose of aiding the communities of Carthage, West Carthage, the Town of Wilna and the Town of Champion by attracting industry or by encouraging the development or, or retention of, an industry to lessen the burdens of government and to act in the public interest.

CIDC's initial activity was accepting title to the 66-acre former Fort James Paper Mill. Currently, CIDC manages the remaining properties including the West End Dam Hydroelectric Facility. CIDC also is engaged in community development activities including the redevelopment of the downtown area of the Villages of Carthage and West Carthage and the development of industrial properties. CIDC's major source of operating revenue is the ground lease payments received from West End Dam Associates relating to the West End Dam Hydroelectric Facility.

2 – Significant Accounting Policies

Basis of Accounting

CIDC's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

CIDC reports information regarding its financial position and activities according to two classes of net assets: nets assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to or are no longer subject to donor-imposed stipulations. They are currently available for operating purposes subject only to the broad limits resulting from the nature of CIDC.

Net assets with donor restrictions: These are net assets whose use is limited by donor-imposed purpose restrictions.

Carthage Industrial Development Corporation
Notes to Financial Statements
December 31, 2023 and 2022

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash

For purposes of the Statement of Cash Flows, CIDC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. CIDC reported no cash equivalents at December 31, 2023 and 2022.

Restricted Cash

During the year ended December 31, 2020, the lease of the hydro facility assigned membership interest to Dichotomy Power, LLC and upon the transfer, the parties agreed to transfer the capital reserve fund from Northbrook Carthage, LLC to CIDC. CIDC is required to hold the capital reserve fund strictly for the use of capital improvements to the West End Dam as outlined in the lease agreement. No withdrawal can be made without the consent of both parties.

Certificates of Deposit

Certificates of deposit consist of three certificates, all bearing interest of .95% per annum and all maturing in twelve months, with penalty for early withdrawal. Any penalty would not have a material effect on the financial statements.

Rents and Grants Receivable

Rents Receivable and Grants Receivable represent amounts that have been paid for or billed under contracts, grant agreements, or lease agreements as of the date of the financial statements. Receivables are stated at the gross amount and deemed to be fully collectible. Bad debts are directly expensed rather than using an allowance for estimated losses.

Note Receivable

Note receivable is stated at the amount CIDC expects to collect from the outstanding balance. As of December 31, 2022, CIDC has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. Bad debts will be directly expensed when determined uncollectible. The balance owed on this note was received in full during the current year.

Carthage Industrial Development Corporation
Notes to Financial Statements
December 31, 2023 and 2022

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments that extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. CIDC does not have a formal capitalization policy. Depreciation is computed on a straight-line basis over their estimated useful lives of 15-50 years. For the years ended December 31, 2023 and 2022, depreciation expense totaled \$96,276 and \$95,086, respectively.

Donated fixed assets are carried at fair market value at time of donation if that value is readily determinable. The West End Dam Hydroelectric Facility is recorded based on the value established by the New York State Office of Real Property Services Utility Valuation Unit using the income approach to value.

Lease Acquisition Costs

Lease acquisition costs in the amount of \$42,451, are being amortized on a straight-line basis over the thirty-year term of the West End Dam Hydroelectric Facility lease. For both the years ended December 31, 2023 and 2022, amortization expense for the West End Dam Hydroelectric Facility lease was \$1,415.

Revenue Recognition

The majority of CIDC's revenue stream is generated from lease income and interest income on loans which are outside the scope of Topic 606. Rental income results from the ground lease as seen in Note 7. The revenues are recognized in the prior period for which the gross energy sales are generated.

In accordance with ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), CIDC has the following revenue sources that are accounted for and recognized as nonreciprocal transactions at the time of transactions:

Grant Revenue

The CIDC receives revenue from cost-reimbursable grants and contracts with State agencies and other private grantors, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when CIDC has incurred expenditures in compliance with specific contract or grant provisions.

Carthage Industrial Development Corporation
Notes to Financial Statements
December 31, 2023 and 2022

Donated Services

No amounts have been reflected in the financial statements for donated services. CIDC generally pays for services requiring specific expertise.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Certain categories of expenses are directly attributable to community development and rental programs, and therefore are classified as direct program service expenditures. Other costs have been allocated among the program and supporting services benefited based on estimates of time and effort, including accounting fees and contract services.

Current Vulnerability Due to Certain Concentrations

CIDC's primary asset is the West End Dam Hydroelectric Facility. The revenue generated by the ground lease represented approximately 76% and 86% of total revenue for the years ended December 31, 2023 and 2022, respectively.

CIDC operates in the Northern New York area and such operations may be affected by local economic conditions.

Income Tax Status and Open Tax Years

CIDC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to CIDC's tax-exempt purpose is subject to taxation as unrelated business income. In addition, CIDC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

CIDC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2023, 2022, 2021 and 2020 are subject to examination by the IRS, generally for 3 years after they were filed.

Date of Management's Review

CIDC has evaluated events and transactions that occurred between December 31, 2023 and April 29, 2024, which is the date the financial statements were available to be issued, and had determined that there are no additional adjustments and/or disclosures necessary.

Carthage Industrial Development Corporation
Notes to Financial Statements
December 31, 2023 and 2022

3 – Property and Equipment, net

Property and equipment consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 206,885	\$ 206,885
West End Dam Hydroelectric Facility	<u>4,799,769</u>	<u>4,774,378</u>
Less: Accumulated depreciation	<u>(2,351,650)</u>	<u>(2,255,374)</u>
Property and Equipment, net	<u>\$ 2,655,004</u>	<u>\$ 2,725,889</u>

4 – Note Receivable

On July 24, 2012, CIDC approved a short-term demand note to Meadowbrook Terrace, Inc. in the amount of \$250,000. Meadowbrook Terrace, Inc. requested the funds on behalf of its owner, Carthage Area Hospital, to assist with cash flow, and increase working capital. This is part of a larger participation agreement with three other organization which provides a total of \$1,000,000 working capital for Carthage Area Hospital. Per terms of the agreement, commencing on January 1, 2014, monthly installments of principal and interest of \$11,517 will be due, of which 25% will be disbursed to CIDC. The entire principal balance plus accrued, but unpaid interest is due on January 1, 2023. The note receivable balance as of December 31, 2023 and 2022 is \$0 and \$2,867, respectively. The note was received in full during the current year.

5 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Capital reserve, Hydro Facility	<u>\$ 185,668</u>	<u>\$ 179,303</u>

6 – Ground Lease – Rental Income

CIDC has a thirty-year lease agreement with Northbrook Carthage, LLC (“the project”) which expires June 30, 2041. The lease was amended on October 28, 2016 to provide a more stable financial structure to protect operations of the project. The rent is paid quarterly based on an amount equal to a percentage of the gross energy sales. The percentage varies with the average realized dollar per project megawatt-hour for the relevant trailing four quarters, calculated by

Carthage Industrial Development Corporation
Notes to Financial Statements
December 31, 2023 and 2022

dividing total gross energy sales allocable to such trailing four quarter period by the total megawatt-hour sales from the project for such trailing four quarter period.

During the year ended December 31, 2021, the lease assigned and transferred memberships interests to Dichotomy Power, LLC. Northbrook Carthage, LLC will continue to be the tenant under the lease, but simply not be owned by Dichotomy Power, LLC.

Ground lease rental income was \$132,308 and \$206,263 for the years ended December 31, 2023 and 2022, respectively.

Due to the nature and calculations required for future ground lease payments, we are not able to calculate such amounts to disclosure future minimum lease payments. As noted above, the lease is expected to continue through June 30, 2041.

7 – Grants to Others

For the years ended December 31, 2023 and 2022, CIDC granted the Town of Wilna \$15,000 for each year, to support the coordinated economic and community development projects and programs for the Village of Carthage, West Carthage, and the Towns of Champion and Wilna. During the current year, CIDC entered into an agreement with the Carthage Area Chamber of Commerce (the “Chamber”) to pay it \$5,000 in support of distribution of information regarding CIDC’s economic development programs to the Chamber’s members and organizations as well as marketing and promoting commercial and industrial business within the community and hosting and organizing workshops or events to promote and strengthen local business.

8 – Contract Services

For the years ended December 31, 2023 and 2022, CIDC contracted for administrative and bookkeeping services per the administrative services contract, in order to establish effective internal controls and proper segregation of duties. For both years ended December 31, 2023 and 2022, contract service expenditures totaled \$3,000.

9 – Concentration of Credit Risk

CIDC maintains cash deposits in one local federally insured bank. At times, the balances in these accounts may be in excess of federally insured limits. At December 31, 2023 and 2022, there were deposits in excess of FDIC coverage. The bank pledges securities as additional collateral.

Carthage Industrial Development Corporation
Notes to Financial Statements
December 31, 2023 and 2022

For the years ended December 31, 2023 and 2022, CDIC's cash and cash equivalent balances that exceeded federally insured limits were fully collateralized.

10 – Related Party Transactions

CIDC holds all cash accounts at Carthage Federal Savings & Loan. These are related business transactions as the Bank President is also a board member of CIDC. As of December 31, 2023 and 2022, the accounts totaled \$1,526,366 and \$1,368,346, respectively.

11 – Liquidity and Availability of Financial Assets

CIDC monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The following table reflects CIDC's financial assets as of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 491,288	\$ 349,059
Certificates of deposit	849,410	839,984
Restricted cash	185,668	179,303
Rents receivable	21,972	64,872
Note receivable, net	<u>-</u>	<u>2,867</u>
Financial assets as of December 31	<u>1,548,338</u>	<u>1,436,085</u>
Less those unavailable for general expenditures within one year:		
Purpose restriction - capital reserve, Hydro Facility	<u>(185,668)</u>	<u>(179,303)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,362,670</u>	<u>\$ 1,256,782</u>

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Independent Auditors' 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*

To the Board of Directors
Carthage Industrial Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Carthage Industrial Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the organization's basic financial statements and have issued our report thereon dated April 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carthage Industrial Development Corporation'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 Carthage Industrial Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Carthage Industrial Development Corporation's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carthage Industrial Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Stackel + Navarra, CPA, PC

Watertown, New York

April 29, 2024

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April 29, 2024

To the Board of Directors of
Carthage Industrial Development Corporation

We have audited the financial statements of Carthage Industrial Development Corporation for the year ended December 31, 2023, and we will issue our report thereon dated April 29, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carthage Industrial Development Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2023. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on an analysis of fixed assets and depreciation calculations. We evaluated the key factors and assumptions used to develop

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the depreciation expense in determining that it is reasonable in relation to the combined financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 29, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Carthage Industrial Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stackel + Navarra, CPA, PC".

Stackel & Navarra, C.P.A., P.C.

STACKEL & NAVARRA, C.P.A., P.C.
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Robert F. Stackel, C.P.A.
Jacob Navarra, C.P.A.
Mark B. Hills, C.P.A.

To the Board of Directors of
Carthage Industrial Development Corporation

In planning and performing our audit of the financial statements of Carthage Industrial Development Corporation for the year ended December 31, 2023, we considered the Organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated April 29, 2024 on the financial statements of Carthage Industrial Development Corporation

We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. Our comment is summarized as follows:

Voiding checks

We noted that the Organization voided a couple of checks during the current year by writing the word "void" across the face of the check. In addition to this procedure, the Organization should also remove the signature portion of the check to properly void a check.

Sales tax

Due to the nature of the Organization's expenditures, nearly all of the disbursements made annually are not subject to New York State sales tax. During the current year, the Organization made two capital purchases related to the hydro dam. On one of the purchases, the Organization paid New York State sales tax. On the other purchase, New York State sales tax was not paid. If the Organization has not applied and received New York State sales tax exemption, then sales tax should be paid on these invoices. If the Organization has received New York State sales tax exemption, then a copy of the sales tax exemption certificate should be provided to vendors so that the Organization does not pay sales tax.

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We wish to thank management and staff for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, Management, and others within the Organization.

Stackel & Navarra, C.P.A., P.C

Stackel & Navarra, C.P.A., P.C.

Watertown, New York

April 29, 2024