COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
REPORT ON AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

TABLE OF CONTENTS

Crowley & Halloran, CPAs, P.C.
Certified Public Accountants, Auditors, and Consultants
215 Washington Street, Suite 100, Watertown, NY 13601
Phone: (315) 788-3140 Fax: (315) 782-5321
www.crowleyhalloran.com

Michael W. Crowley, CPA*
Pamela J. Halloran, CPA*

* Licensed in NY & PA

Members of:
AICPA
NYSSCPA
Government Audit Quality Center
Employee Benefit Plan Audit Quality Center

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors
County of Franklin Solid Waste Management Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County of Franklin Solid Waste Management Authority as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditors' Responsibility

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

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

INDEPENDENT AUDITORS' REPORT – (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the County of Franklin Solid Waste Management Authority, as of June 30, 2016 and 2015, and the respective changes in financial position, and cash flows thereof 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 4–27, the schedule of the local government's proportionate share of the net pension liability, and the schedule of the local government's share of contributions as listed in the table of contents 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.

INDEPENDENT AUDITORS' REPORT – (continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Franklin Solid Waste Management Authority's basic financial statements. The introductory section and accompanying Schedules of Operating Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedules of Operating Expenses are the responsibility of management and was 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 of Operating Expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, on our consideration of the County of Franklin Solid Waste Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 County of Franklin Solid Waste Management Authority's internal control over financial reporting and compliance.

Crowley & Halloran, CPAs, P.C.

Watertown, New York
October 18, 2016

COUNTY OF FRANKLIN SOLID WASTE

MANAGEMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS

CFSWMA FRANKLIN COUNTY LANDFILL SITE

THE AUTHORITY BOARD MEMBERS

Henry Travers, Chairman

David Rhodes, Vice Chairman

Tom MacDonald, Treasurer

Richard Shapiro

Tim “Guy” Smith

Tim Carter

Executive Director

George Eades, eng.

Secretary to the Board/Vice-Treasurer

Corinne Fitzpatrick

GENERAL COUNSEL

Brian Stewart

AUDITORS

Crowley & Halloran, CPAs, PC

October 18, 2016

Members of the Board
County of Franklin Solid Waste Management Authority
Constable, NY 12926

Gentlemen:

The Financial Statements of the County of Franklin Solid Waste Management Authority (the "Authority"), for the fiscal year ending June 30, 2016, are hereby submitted. The information in this report is believed by Authority management to be sufficient to fully represent the results of the Authority's operations for the fiscal year ending June 30, 2016, and to provide an accurate and useful picture of the Authority's status as of that date. All information included is the responsibility of management staff of the Authority with respect to accuracy, completeness and fairness.

Management of the Authority is responsible for establishing and maintaining internal controls designed to protect the Government's assets from loss, theft or misuse and to compile sufficient information for the preparation of the Authority's financial statements in conformity with U.S. generally accepted accounting principles. The Authority's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- **The cost of control should not exceed the benefits likely to be derived.**
- **The valuation of costs and benefits requires estimates and judgment by management.**

The Authority's financial statements are audited by a certified public accounting firm. The objective of the audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management to provide reasonable assurance that the financial statements are free of material misstatements.

As part of the Authority's annual audit, a review is made of internal controls and tests are performed to determine the Authority has complied with applicable laws and regulations. The results of the audit for the fiscal year ending June 30, 2016 identified no material violations of applicable laws and regulations.

The annual financial report is presented in two sections: introductory and financial. The introductory section includes this transmittal letter, organizational chart and list of principal officials. The financial section includes management's discussion and analysis, the basic financial statements and accompanying notes, as well as the independent auditors' reports.

The Authority is required to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

GOVERNMENT ENTITY: The Authority is a New York State public benefit corporation created in 1988 pursuant to the Act. The Act authorizes the Authority, among other things, (i) to plan, develop and construct solid waste management facilities; (ii) to acquire interests in real and personal property, and to dispose of them; (iii) to receive, transport, process, dispose of, sell, store, convey, recycle, and deal with solid waste and energy generated by operation of a solid waste management facility; (iv) to contract with governments including the county and local governments within the county in relation to its activities; (v) to borrow money and to issue bonds; and (vi) to fix and collect rates, rentals, fees, and other charges for the use of the facilities, or services rendered by, or any commodities furnished by, the Authority.

SERVICE AGREEMENT: On May 1, 1993, the Authority and the county entered into the Solid Waste Management Services Agreement (the "Services Agreement"). The Services Agreement was amended as of May 18, 1995 in order to revise the definition of the term "Bonds" therein. The Services Agreement was renewed in May 2012. The Services Agreement obligates the county to deliver, or cause to be delivered, all of the municipal solid waste ("MSW") produced within its boundaries to the Authority and to make certain payments to the Authority in return for the Authority providing solid waste management services within the county. Conversely, the Services Agreement obligates the Authority to accept and dispose of all MSW delivered to the System by or on behalf of the County.

REPORTING ENTITY: The Authority is comprised of a seven member board appointed by the legislature of the County. The Authority is a component unit of the County of Franklin. The Board appoints an Executive Director who manages Authority operations.

BUDGETARY CONTROL: **The Authority adopts an annual, non-appropriated operating budget as a financial plan for the year.** Activities of the operating accounts (Acquisition and Construction, Revenue, Operating, Debt Service, Equipment Replacement, Capital Improvement and General Reserve) required by the Trust Indenture securing the Authority's bonded indebtedness are included in the annual budget. Although the Authority is legally required to adopt an annual budget, there is no legal requirement for external reporting of budgetary basis financial information.

FINANCIAL CONDITION AND OUTLOOK

Financial Performance

Operating History

The Authority began operations in May 1994 with a one hundred and eighty acre site. Only twenty acres of the site was suitable for use as a landfill. The permitted 20 acres consisted of four five acre cells with an anticipated life of 20 years. The total debt including interest was $36,613,960.

The Authority experienced difficulties in its initial years due to unforeseen circumstances. The Carbone decision which eliminated flow control had an adverse effect on cash flow. A major landfill fire in the winter of 1999 caused a great deal of difficulty for the Authority.

In April 1999, a new Executive Director was appointed with a mandate to correct the situation. Substantial changes were made to its operations, marketing, pricing, permitting and financial structure in order to lower expenses and increase revenues.

The Authority closed cell 1 in 2001 with closure funds set aside for that purpose. The Authority issued bonds to finance the building of cell 3 in 2003 and cell 4 in 2008.

In April of 2006, the NYSDEC modified our operating permit to allow the disposal of up to 125,000 tons of MSW and C&D, plus BUD materials for daily and intermediate cover use. This increase in tonnage has allowed the Authority greater flexibility in the way it manages incoming waste and BUD material. This change in operations has allowed an increase in revenues.

In April 2007, the Supreme Court revisited flow control, and found in favor of flow control of solid waste for governmental authorities. The Authority updated its existing flow control law in July 2007. The County of Franklin Legislature enacted Local Law # 3 on August 2, 2007. The Authority began enforcing flow control in January of 2008.

The Authority renewed its Service Agreement with the County in May 2012. The Authority issued bonds in May 2012 for the purchase of land to extend the life of the landfill and continue to provide solid waste handling facilities for the County.

The Authority has been receiving waste from Essex County since 2001. The Authority formalized an agreement to continue receiving waste from Essex County until December 31, 2018 with a renewal agreement allowing for extensions of 5 year terms.

In September 2012, the Authority entered into an agreement with the St. Regis Mohawk Tribe Environmental Division to receive MSW from their transfer station in Fort Covington. This agreement was renewed in 2014 with a five year term.

The Authority completed land acquisition for the landfill expansion in the fall of 2012. The Authority submitted engineering documents to the DEC for review in the spring of 2013. Final engineering documents were submitted in the fall of 2013. A new permit to allow for the construction of 3 cells on 25 acres was issued on January 28, 2014. The Authority awarded a contract to Zoladz Construction for the building of Cell 5. Construction of Cell 5 began in April 2014 and was scheduled for completion in November 2014. The cell was finished in November 2015. From May 2015 until November 2015, the Authority diverted about 7,200 tons of waste from Essex County to a landfill in Saratoga County. This was due to a lack of air space caused by the contractor's inability to complete Cell 5 in November of 2014. The Authority is currently in litigation with Zoladz Construction for the late delivery of the cell. The Authority expects to recover all costs associated with the late delivery of the cell.

The Authority completed payments of all bonds associated with the initial four cells and three transfer stations in December 2015. The authority now owns more than 1,100 acres of land. It has three permitted cells with a life of 25 years. It has an approved footprint of 142 acres. The site has an anticipated life of 100 years at current usage rates. The Authority's total outstanding debt is less than the original financing in 1993.

Risk Management

The Authority maintains a comprehensive array of property and liability insurance. For workers' compensation insurance, the Authority participates in the Public Employees' Risk Management Association. A safety program, including comprehensive safety regulations, is actively administered and enforced to minimize exposures and limit risks.

Annual Audit

The Authority's fiscal year ends June 30. The financial statements are audited each year. The firm, Crowley & Halloran, CPAs, P.C. of Watertown NY has completed the annual audits since June 2012.

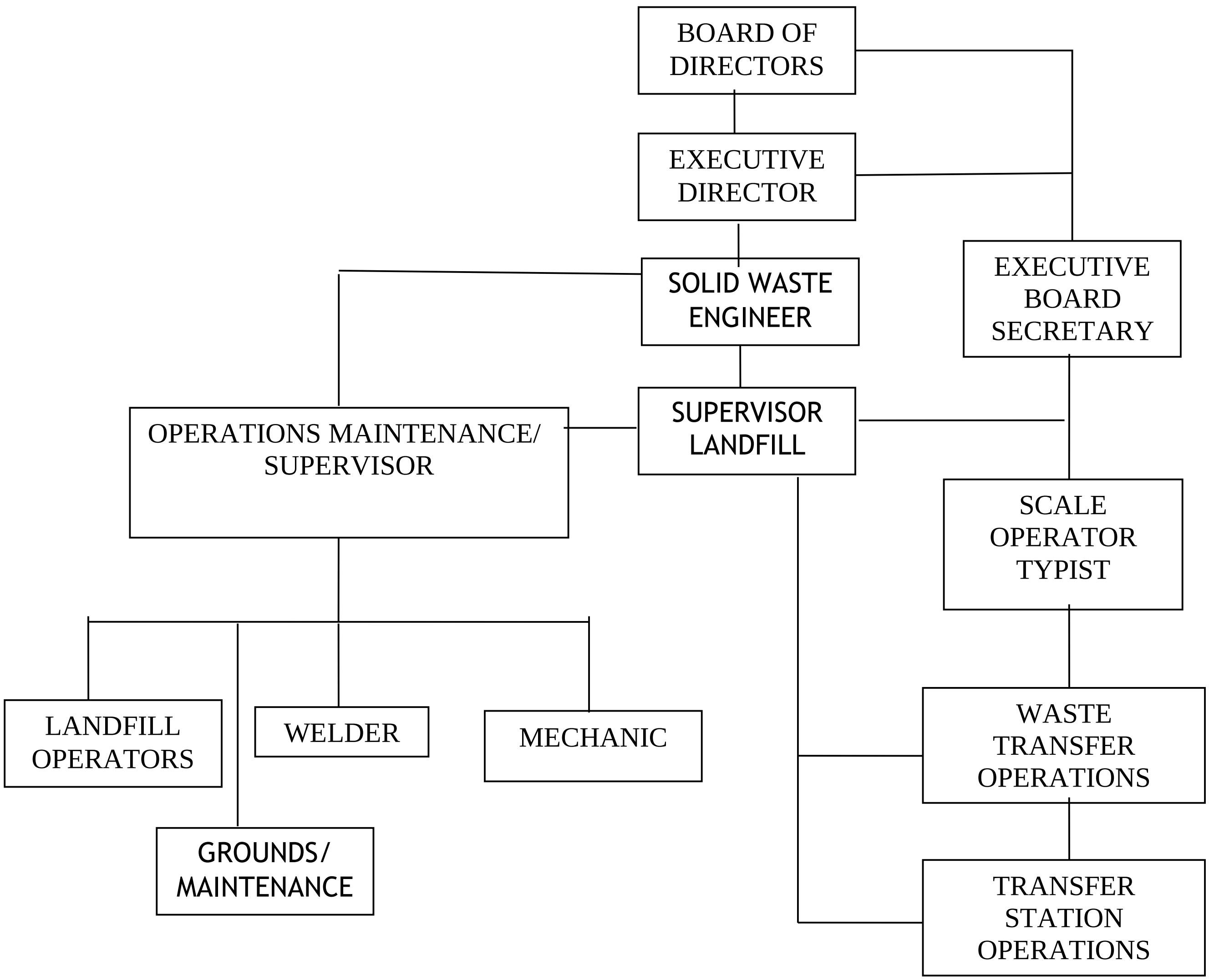
Acknowledgements

The help of staff and our certified public accountants is gratefully acknowledged.

Sincerely,

George Eades, Eng.
Executive Director

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT ORGANIZATIONAL CHART



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Franklin Solid Waste Management Authority (The Authority) presents the readers of our financial statements the following narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2016. Please consider this information in conjunction with the additional information we have furnished in our letter of transmittal and the accompanying financial statements.

Financial Highlights

Unfortunately during fiscal year 2016, the Authority had to divert about 7,200 tons of solid waste to a landfill in Saratoga County. This was directly attributable to Zoladz's failure to complete Cell 5 on schedule. Had the schedule been met, no diversion would have occurred. Fortunately several other large demolition and contaminated soil projects helped to mitigate the effects of the diversion. At year end, the volume of waste handled at the landfill turned out to be consistent with historical volumes. The Authority finished the year with a surplus. The Authority continues to develop other sources of MSW to increase revenue now that we have sufficient airspace available to market.

In fiscal year 2010, management turned the net position from a deficit to a surplus. The fund deficit peaked in 2000 at ($5,648,023). The fund deficit in 2005 was ($5,454,144). The fund deficit in 2006 was ($4,193,747). In 2007, we substantially reduced the fund deficit to ($2,662,513). In 2008, the fund deficit was reduced to ($890,680). In 2009, the fund deficit was ($572,345). As mentioned in the 2009 MD&A, management anticipated retiring the fund deficit in fiscal year 2010. In fiscal year 2010, the fund surplus was $366,251. In fiscal year 2011, management showed a surplus of $424,364. In 2014 we implemented GASB No. 65, *Items previously reported as assets and liabilities*, which resulted in a change in accounting. Bond issuance costs are no longer deferred and amortized over the life of the bond repayment, but are expensed in the year they occur. To reflect this change in accounting, beginning net position has been restated for the years 2012 and balances were restated for the years presented. In 2012, it was previously reported that the fund surplus was decreased to $181,838, after the restatement for GASB No. 65, as discussed above, there was a deficit of ($144,994), due to additional closure costs associated with future estimated closure and post closure costs along with bond issuance costs of $229,311. In 2013, the restated current fund surplus is $257,240, previously reported as a surplus of $537,435. The fund surplus in 2014 decreased to $68,832. This was due to a loss in interest revenue of $202,623 and bond issuance costs of $277,722. The Authority increased tipping fees in April 2014 in anticipation of this change in position. Interest expense in 2016 was higher than 2015 with an increase of $118,539 due to the issuance of the Revenue Bond Series 2015 A&B. Net position in 2016 increased by $636,127.

The capital assets in the amount of $18,211,873 of the Authority after depreciation, include land, buildings and equipment as well as construction in progress in the amount of $5,295,357. Restricted cash and cash equivalents amount to $7,748,519. The changes from 2015 reflect borrowing, the completion of Cell #5, the Leachate Storage Tank and related capital projects and construction in progress for the new administrative and shop facilities.

In 2016, the Authority's revenues exceeded its expenses by $636,127. This is an increase of $351,941 over last year's positive results. The change is due to the net effect of increased solid waste fees by $213,266, due to the raised tipping fees made in April 2014; and the decreases in depreciation & amortization expense and bond issuance costs that were expensed in 2015 for the 2015 Revenue A & B bonds and the 2014 EFC financing. Bond issuance costs are onetime costs.

Management continues to aggressively price beneficial use materials. Our objective is to receive the optimum price, while ensuring that materials are not shipped to our competitors due to a significant price differential.

In March 2015, the Authority issued Revenue Bond Series A & B for $8,550,000 and drew down $5,158,772 from EFC financing to construct Cell 5, pump house, force mains, leachate tank, shop and offices. In March 2015, the Authority refinanced a portion of the BANS through EFC at a reduced interest rate. In 2016, the Authority will convert the short term EFC financing to long term EFC bonds.

The DEC issued the Authority a permit to construct Cell 5 on January 28, 2014. In March the Authority clear cut 20 acres of timber in anticipation of constructing Cell 5. In April 2014, the Authority signed a contract with Zoladz Construction of Alden, NY for the construction of Cell 5. Construction commenced in mid-April 2014 and was to be complete in November 2014. At the close of the 2015 fiscal year construction was not complete. The contract was completed in November 2015. The Authority is in litigation with the contractor. The Authority expects to recover all expenses associated with the late delivery of the project.

In October 2014, the Authority entered into a contract with Bette and Cring for the construction of new office and shop facilities. The construction is progressing slower than anticipated. We expect to occupy the new facilities in the fall of 2016.

In June of 2011, the Authority renewed an agreement with the Village of Malone which ensures the Authority access to the Malone WTTP for the disposal of leachate. The Authority and the Village continue to realize cost savings. We have developed a very good working relationship. This agreement ensures the Authority and the Village a cost effective manner of dealing with leachate and sludge. We renewed the agreement in December 2015.

In September 2012, the Authority entered into an agreement with the St. Regis Mohawk Tribe to receive the waste produced at the Fort Covington transfer station. This is a mutually beneficial arrangement which was renewed in 2014. The Authority receives 3,000 tons of waste from their Ft. Covington Transfer Station.

In 2013, the Authority formalized an agreement to continue receiving waste from Essex County until 2018, with an agreement for 5 year extensions of the contract. In 2015, the Authority received 10,000 tons of waste from Essex County.

The Authority's total liabilities increased $1,605,498 in 2016 due to additional draw downs on the EFC bonds for the purpose of constructing Cell 5 and ancillary facilities, the increase in the Environmental & Closure Accrual and the Pension Liability - ERS. In December 2015, payments of all bonds issued by the Authority prior to 2012 were closed out.

Overview of the Financial Statements

The Authority is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting. **This is the same measurement focus and basis of accounting employed by private-sector business enterprises.** This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and notes to the financial statements.

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

The **Statements of Revenues, Expenses, and Changes in Net Position** is the basic financial statement of revenue and expense for proprietary funds. This statement provides the user information on the Authority's operating revenues and expenses, non-operating revenues and expenses, and whether the Authority's financial position has improved or deteriorated as a result of the year's operations.

The **Statements of Cash Flows** presents the change in the Authority's cash and cash equivalents during the period reported on. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements and can be found beginning on page 33 of this report.

FIG. 1 Cell 5 1st load of Solid Waste unloaded on November 27, 2015.

Fig. 2. Generator delivered to the Landfill on September 10, 2015.

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's total net position increased $636,127 in the fiscal year 2016, A condensed summary of the Authority's net position for fiscal years 2016, 2015, and 2014, is presented below.

	2016	2015	2014
Assets:			
Current Assets	$ 962,988	$ 634,670	$ 726,627
Investments and Restricted Assets	7,748,519	7,997,870	18,338,775
Other Assets	1,537,058	1,453,745	1,814,334
Capital Assets	18,211,873	16,573,854	7,244,844
Total Assets	28,460,438	26,660,139	28,124,580
Deferred Outflows of Resources	733,401	155,398	58,677
Liabilities:			
Current Liabilities	3,052,637	5,259,353	20,190,351
Bonds Payable	20,896,509	17,973,772	4,780,000
Long-term Debt	202,625	384,069	533,814
Other Liabilities	3,253,967	2,728,023	2,610,260
Pension Liability-ERS	702,317	157,340	-
Total Liabilities	28,108,055	26,502,557	28,114,425
Deferred Inflows of Resources	153,003	16,326	-
Net Position	$ 932,781	$ 296,654	$ 68,832

A summary of revenues, expenses and changes in net position for the years ending 2016, 2015, and 2014, is presented below:

	2016	2015	2014
Total Operating Revenues	$ 10,876,696	$ 12,658,801	$ 11,957,686
Total Operating Expenses	9,682,900	11,491,425	11,453,257
Operating Income	1,193,796	1,167,376	504,429
Other Income (Expense)	(557,669)	(883,190)	(692,837)
Increase (Decrease) in Net Position	$ 636,127	$ 284,186	$ (188,408)

The Authority borrowed funds to finance the construction of Cell 4 and completed payment of these funds in 2014. The Authority borrowed funds in 2012 to finance the purchase of land which provided landfill space for the long term (in excess of 50 years). The Authority issued BANs in March 2014 to finance the construction of Cell 5 and ancillary facilities. In 2015, some of the BANs were converted to EFC short term financing and the remainder of the bans converted to bonds. In the fall of 2016, the EFC short term financing will be converted to EFC long term bonds.

The Authority has the long-term objective of accumulating funds to meet all future cell expansion, closure and post-closure requirements from annual revenues. In addition to setting aside funds for the closure and post closure funds in 2016, the Authority was able to set aside funds in the cell addition fund, equipment replacement fund and the rate stabilization fund.

To meet the above objectives, the Authority projects the timing and costs of equipment replacement, cell expansion and cell closure, utilizing assumptions that it deems reasonable and appropriate. The Authority's consulting engineer annually provides estimates of closure and post closure costs and estimates deposit requirements to the closure and post closure funds, as required by DEC.

In 2005, the Authority reviewed its Solid Waste Management Plan. An updated plan was adopted by the Board. It was submitted and approved by the DEC in May of 2006. The updated, fifteen year solid waste management plan included an increase in permitted tonnage to 125,000 tons of MSW per year and an enlarged footprint to accommodate the increase in tonnage limits. The increase in tonnage was approved by the DEC in May of 2006. The enlarged footprint was approved and permitted January 28, 2014.

The Draft Environmental Impact Statement was completed by our consulting engineer and approved by the Authority Board in September 2008. The Authority negotiated and finalized a Host Community Benefit Package with the Towns of Constable and Westville. The Host Community Benefit Package was adopted in February 2009. The Final Environmental Impact Statement was completed in February 2009 and adopted by the Board in March 2009. The Authority Solid Waste Management Plan allows for the development of 145 acres of landfill over the next 100 years.

The adoption of the final EIS allowed us to acquire the properties needed for the development of the footprint and buffer for the landfill. The land acquisition was completed in October 2012.

The Authority completed the drilling of 12 exploratory borings during January and February 2010. This information along with the information from exploratory test pits completed in the fall of 2010, provided the necessary information to complete the hydro-geologic report. In the 2012 fiscal year, the Authority and their consulting engineer finalized the planning for the proposed footprint extension. The new landfill footprint will consist of 3 cells of about 8 acres. This footprint will provide solid waste capacity for about 20 years. The final report was submitted to the DEC in the fall of 2013. It was approved in January 2014. A permit was issued for construction of cell five and the future construction of cells 6 and 7. Construction of Cell 5 began in April 2014. The construction was not completed as expected in November 2014. Construction was completed in November 2015.The cell was opened for use December 3, 2015. The Authority is in litigation with the contractor. The Authority expects to recover all costs associated with the late delivery of the cell.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority continues to invest in capital assets. During the fiscal year 2016, investments were made to maintain the Authority's ability to meet its commitment to the community. In this fiscal year, the major investment in capital assets was the ongoing construction of a new office and maintenance facility.

In 2014, a 3/4 ton Ford was purchased to replace our old pickup which was 12 years old and the construction of Cell 5 began.

In 2013, three new pieces of heavy equipment were acquired for landfill operations.

In fiscal year 2012, the major investment in capital assets by the Authority was the acquisition of land for the expansion of the landfill. A blazer pickup truck for landfill use and a front end loader for use at transfer stations were acquired in 2012.

The Authority currently uses approximately one acre per year of cell space. Cell 5 is 7 acres in size and will be full in fiscal year 2023. Cell 4 is almost full and will be closed in 2018.

Fig.3 – Cutting pavement for the installation of sewer lines from the new maintenance building on November 11, 2015.

Fig. 4 – Backfilling sewer lines from the new maintenance building on November 11, 2015.

Cell 4 was built in 2008 with the anticipation of use in the fall of 2009. In the late fall of 2010 we began using Cell 4, a year later than originally planned. Cell 4 is essentially full and will be closed in 2018. Cell five was brought on line in December 2015 a year later than anticipated. It should have a six - seven year life.

Equipment Replacement Fund ("ERF")

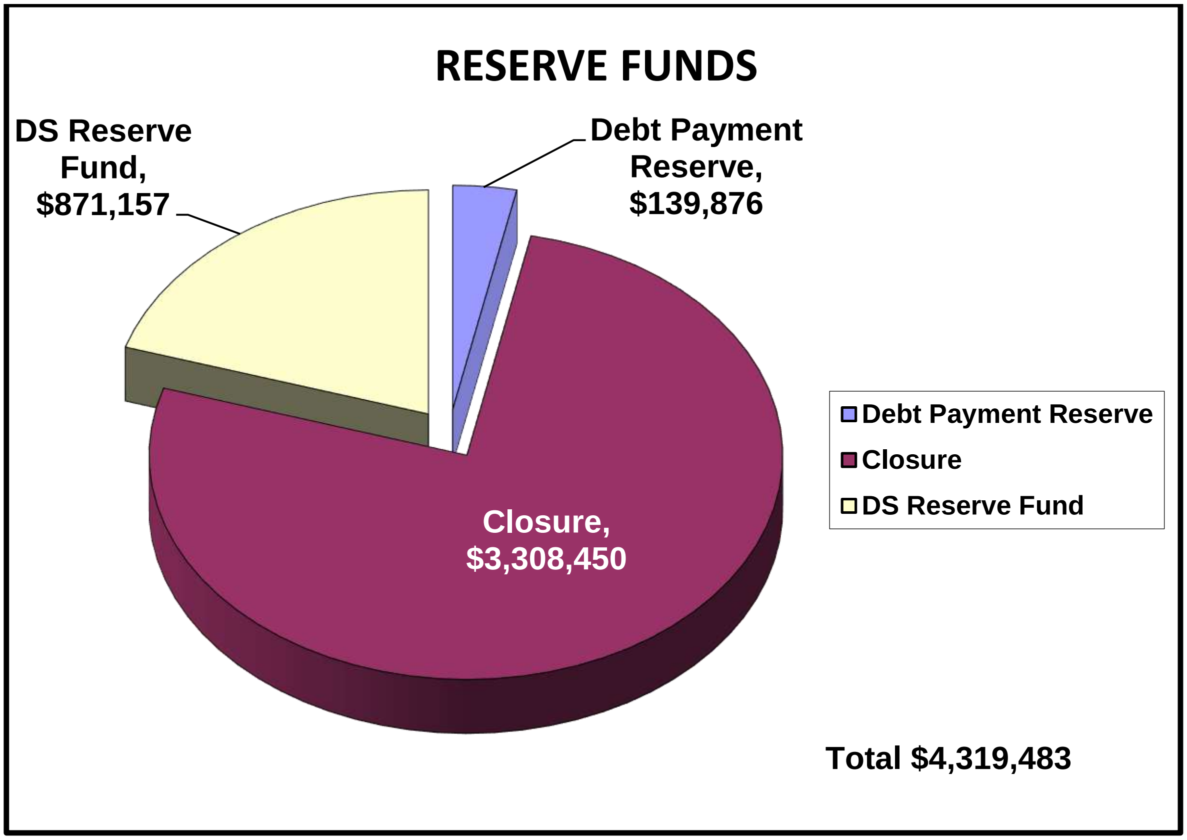
The ERF is funded to provide funds to replace or refurbish equipment and other physical assets of the Authority. Deposits are made to the ERF to meet current equipment payment costs. These deposits are reviewed annually in the Authority's budget process.

In 2016, we converted the Lake Clear Scales to hydraulic from electronic to improve scale performance. In 2015, the Authority added a JCB Telehandler. A water truck and trucks for landfill transportation were acquired from Federal Property Assistance. In 2014, a new pickup was added to the fleet. In March 2013, we acquired a new Caterpillar D6N. We also bought a new Caterpillar 349 excavator to replace our old 345. We had expected to replace it in the next fiscal year. We will continue updating our equipment in 2017. This coincides with our long-term objectives of replacing equipment on a timely basis. We acquired more roll off containers and major pieces of equipment were repaired.

Long-Term Debt

The Authority is required to maintain in the DSRF the equivalent of one year's outstanding capital and interest payments for the bonds issued.

As of June 30, 2016, the balance held in the Debt Service Reserve Fund was $871,157as required by Bond resolution.



On July 15, 2008 the Authority issued $5,640,000 in Revenue Bonds, Series 2008. On September 17, 2003, the Authority issued $9,840,000 in Refunding Revenue Bonds, Series 2003A and $970,000 in Refunding Revenue Bonds, Series 2003B (Taxable) for the purpose of refunding $9,915,000 outstanding principal of the Authority's $20,830,000 Solid Waste Revenue Bonds, Series 1993. At the close of fiscal year 2007, the Authority had $9,105,000 in outstanding revenue bonds. The advance refunding of the Series 1993 bonds reduced the Authority's aggregate debt service payments by approximately $1,200,000 and produced an economic gain of $613,394. As part of the financing, the Authority's overall credit was reviewed. The Authority's overall credit rating was raised from a **BBB- to a BBB+.** In 2009, Standard and Poor's reviewed the rating of Franklin County Solid Waste Authority. The overall review was positive and the Authority's rating was raised from **BBB+ to A-** a significant improvement in these times. In 2012, the Authority issued $4,883,923 in bonds for the acquisition of land which will meet future landfill and buffer requirements.

The Authority issued $15,450,000 in BAN's in March 2014, for the construction of Cell 5 and ancillary facilities. In March 2015, a portion of the BANs were converted to short term EFC funding. The remaining $8,720,000 was converted to long term bonds. The Authority will convert the short term EFC funding to bonds in September 2016.

Additional information on the bonds payable may be found in Notes 4 and 5 – Bans (Revenue Anticipation Notes) and Bonds Payable of the notes to the financial statements starting on page 37 of this report. Further information on long-term debt with respect to equipment financing may be found in Note 6– Long-Term Debt of the notes to the financial statements on page 38 of this report.

Closure and Post-Closure & Other Reserves

The Authority is required to file, and have approved by the DEC, a closure and post-closure plan and the financial mechanism for funding the plan.

In addition to the bonds payable, the Authority has an obligation to close the landfill site and perform post closure monitoring. Funds for these expenses are evaluated annually and set aside for those future requirements. See Note 7 - Environmental and Closure Accrual for Landfill on page 39.

The Authority retains a consulting engineer to estimate the requirement for closure and post-closure care costs utilizing projected future closure costs, post-closure costs and current regulations. Based on the current estimate, the Authority is setting aside $268,300 annually for deposit to the closure/post-closure reserves. The reserve funding requirements are incorporated in current tipping fees and are deposited to the reserve funds on a monthly basis.

As of June 30, 2016, the cash balances held in the Closure and Post Closure reserve funds was $3,308,450. The current post closure monitoring cash reserve fund balance is $1,675,624 The current closure construction cash reserve fund balance is $1,632,826 which reflects the drawdown for the closure of Cell 2 and partial part of Cell 3. The Authority will replenish the fund to provide for final closure of Cell 3 and 4 in 2018 or 2019.

HISTORICAL AND STATISTICAL DATA

Capacity

Existing Capacity Cell 5 on December 31, 2015 had a capacity of 525,000 cubic yards. As of June 30, 2016 it had a capacity of 437,000 cubic yards or about 5 years of life. Cells 6 and 7 which are permitted, have a combined capacity of 1,922,000 cubic yards or about 22 years at current usage rates.

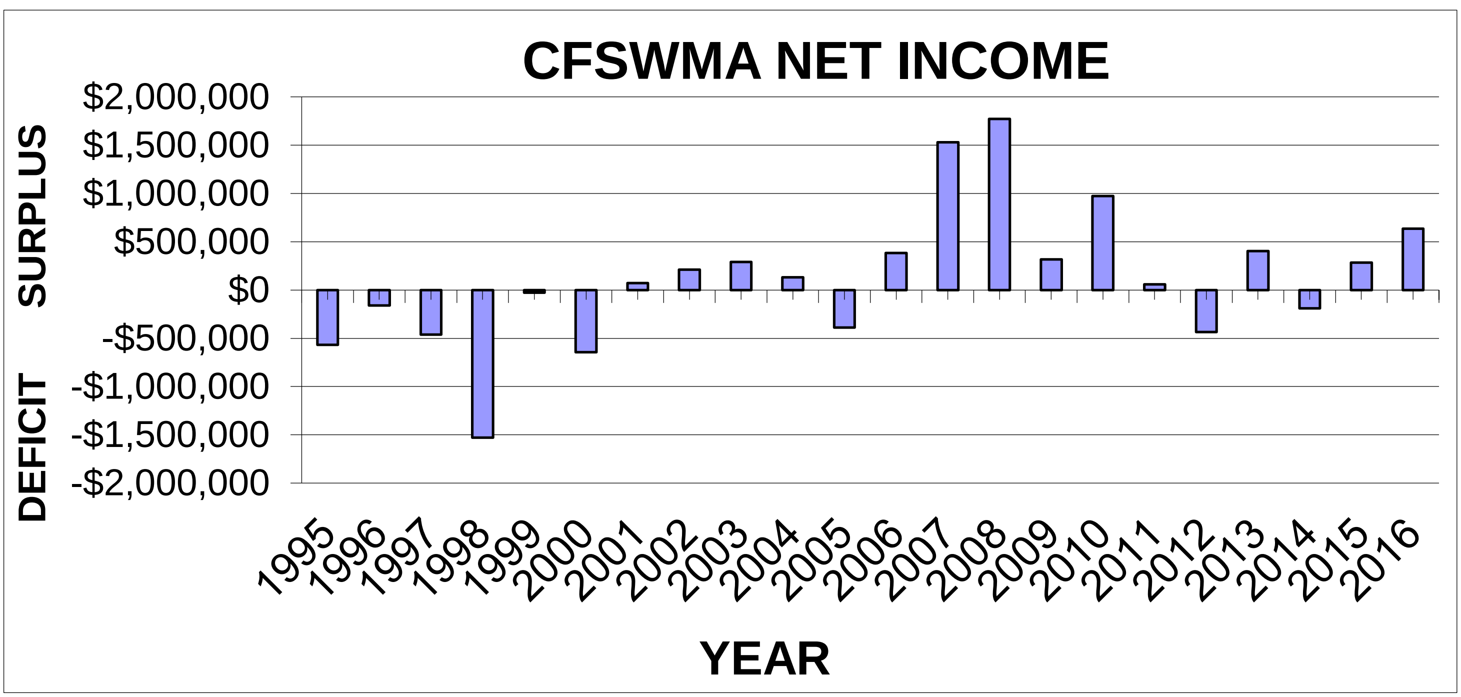
Permitted and potential Capacity. The Authority adopted a Final Environmental Impact Statement on February 26, 2009 for the long-term development of the landfill. In May 2012, the financing for land acquisition of 686 acres was completed. The proposed maximum build-out of the new footprint is 142 acres with an estimated capacity of 19,100,000 cu. yds. The total area of landfill footprint disturbance is approximately 165 acres. The remaining 521 acres located north and south of county route 20 will be used as buffer or for potential wetland mitigation in the future. The landfill extension is permitted and constructed in phases of about 25 acres. The initial 25 acre phase was permitted in January 2014. Future footprint extensions on the 145 acre footprint will take place as required.

Transfer Stations

The Authority operates three transfer stations within the County located in Malone, Lake Clear and Tupper Lake. The Authority ceased providing solid waste collection to St. Regis Falls (Town of Waverly) in July 2012. All transfer stations have permits issued by the New York State Department of Environmental Conservation ("DEC").

Fig. 5 - New stone being installed into Cell 5 on November 5, 2015

Fig. 6 – Watson Electrical working on the Side Riser Building on October 21, 2015.



YEAR-END	1994	1995	1996	1997	1998	1999	2000	2001
LOSS/ GAIN	**(41,672)**	**(566,577)**	**(161,634)**	**(462,614)**	**(1,530,215)**	**(27,395)**	**(644,788)**	**72,393**
YEAR-END	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
LOSS/ GAIN	**210,056**	**291,159**	**132,623**	**(536,798)**	**383,067**	**1,531,234**	**1,771,833**	**318,245**
YEAR-END	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
LOSS/ GAIN	**938,686**	**58,113**	**(436,807)**	**402,234**	**(188,408)**	**284,186**	**636,127**	

Host Community Fees

The Authority negotiated a formal Host Community Benefit Package with the Towns of Westville and Constable which took effect March 26, 2009. The agreement pays each of the Towns $0.50 for each ton of municipal solid waste received at the Landfill for the first 50,000 tons. The payment per ton increases on a graduated scale up to $1.50 per ton on tonnages greater than 150,000 tons per year. This ensures that each town benefits as the landfill realizes the benefits of economy of scale from increased tonnages.

Fig. 7 – Generator being set on concrete pad on January 5, 2016

Fig. 8 - Installation of pump for new water well on April 5, 2016.

Waste Quantities and Control

Generalized Annual Summary - Waste Received by Authority in Tons

The following table summarizes waste received at the Landfill in tons from the **2001** through **2016** <u>**fiscal**</u> years:

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
MSW																
Franklin County	25,449	24,535	23,776	22,513	26,603	25,457	28,538	28,645	29,754	32,357	33,345	38,259	32,289	31,932	33,787	34,385
Out-of-County	18,925	22,019	23,749	22,112	16,413	16,741	19,097	18,989	18,305	15,799	17,034	19,857	24,835	18,837	18,702	13,185
TOTAL	44,374	46,554	47,525	44,625	43,016	42,198	47,635	47,634	48,059	48,156	50,379	58,116	57,124	50,769	52,489	47,570
BUD																
Franklin County	9,220	8,750	12,152	14,959	17,945	14,825	11,998	8,869	8,644	10,848	1,949	4,283	1,870	1,856	1,729	7,915
ARRA[1]	13,489	12,340	16,599	12,701	4,251	13,083	1,272	0	0	0	0	0	0	0	0	0
Other	8,668	8,074	2,575	11,978	5,144	12,989	44,983	45,347	10,366	12,260	15,375	11,617	17,064	25,740	23,093	24,950
TOTAL	31,377	29,164	31,326	39,638	27,340	40,897	58,253	54,216	19,010	23,108	17,324	15,900	18,934	27,596	24,822	32,865
TOTAL TONS	**75,751**	**75,718**	**78,851**	**84,263**	**70,356**	**83,095**	**105,888**	**101,850**	**67,069**	**71,264**	**67,703**	**74,016**	**76,058**	**78,365**	**77,311**	**80,435**

[1] ARRA is Adirondack Resource Recovery Associates, the company that operates the solid waste incinerator in Hudson Falls, NY.

Competition

The Authority closely monitors pricing and customer service practices at competitive waste disposal facilities. Prices at nearby landfills for commercial waste disposal include:

FACILITY	**IN COUNTY TIP FEE AT TRANSFER STATIONS (PER TON MSW)**	**IN COUNTY TIP FEE AT LANDFILL (PER TON MSW)**	**OUT-OF-COUNTY TIP FEE (PER TON MSW)**
Clinton County	$ 220.00	$ 62.33	$ 73.58
St. Lawrence County	$ 160.00	N/A	N/A
Essex County	$ 140.00	N/A	$ 140.00
Lewis County	$ 79.00	N/A	$ 76.00
Jefferson County	$ 120.00	$ 0.00	$ 120.00
Herkimer	$ 70.00	N/A	$ 115.00
CFSWMA	$ 95.00	$ 80.00	$40 to $70
DANC (located in Jefferson County)	$ 0.00	$ 46.00	N/A

The Authority believes that it is currently competitive with other facilities in the area given transportation costs and the dynamics of the waste market.

Financial Performance

The Authority experienced tonnages closer to the historical average. We were again able to achieve positive operating results of $1,193,796. Since 2000, management has been able to show positive results thirteen out of sixteen years. Since 2005, the operating deficit of ($5,454,144) has changed to a current operating surplus of $932,781.

The continuing positive operating results presented this year reflect changes over the last several years. In January 2008, the Authority instituted flow control. The increase in permissible tonnage in 2006, has allowed management flexibility in managing waste flows. We are able to take advantage of opportunities presented in the market place which was not possible prior to this change.

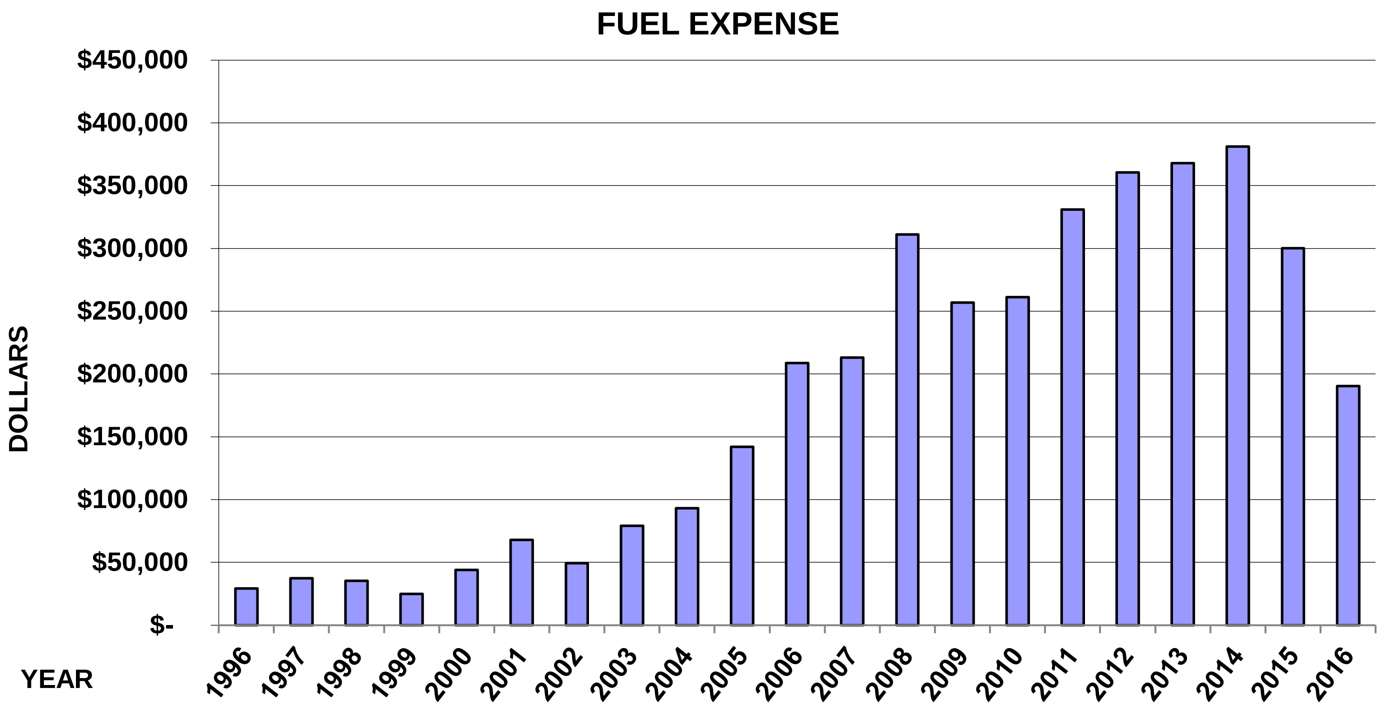
In 2006, the Authority instituted graduated tipping fees at the transfer stations which improved cash flow. Total tonnages handled at the transfer stations remained stable after the price increase. The Authority annually reviews its tipping fees. In 2011, we increased the graduated tipping fees. This was the first fee increase since 2006. The commercial tipping fees were increased in 2010 and 2012. In April 2014, we increased the graduated tipping fees to ensure adequate revenue for continued positive operating results.

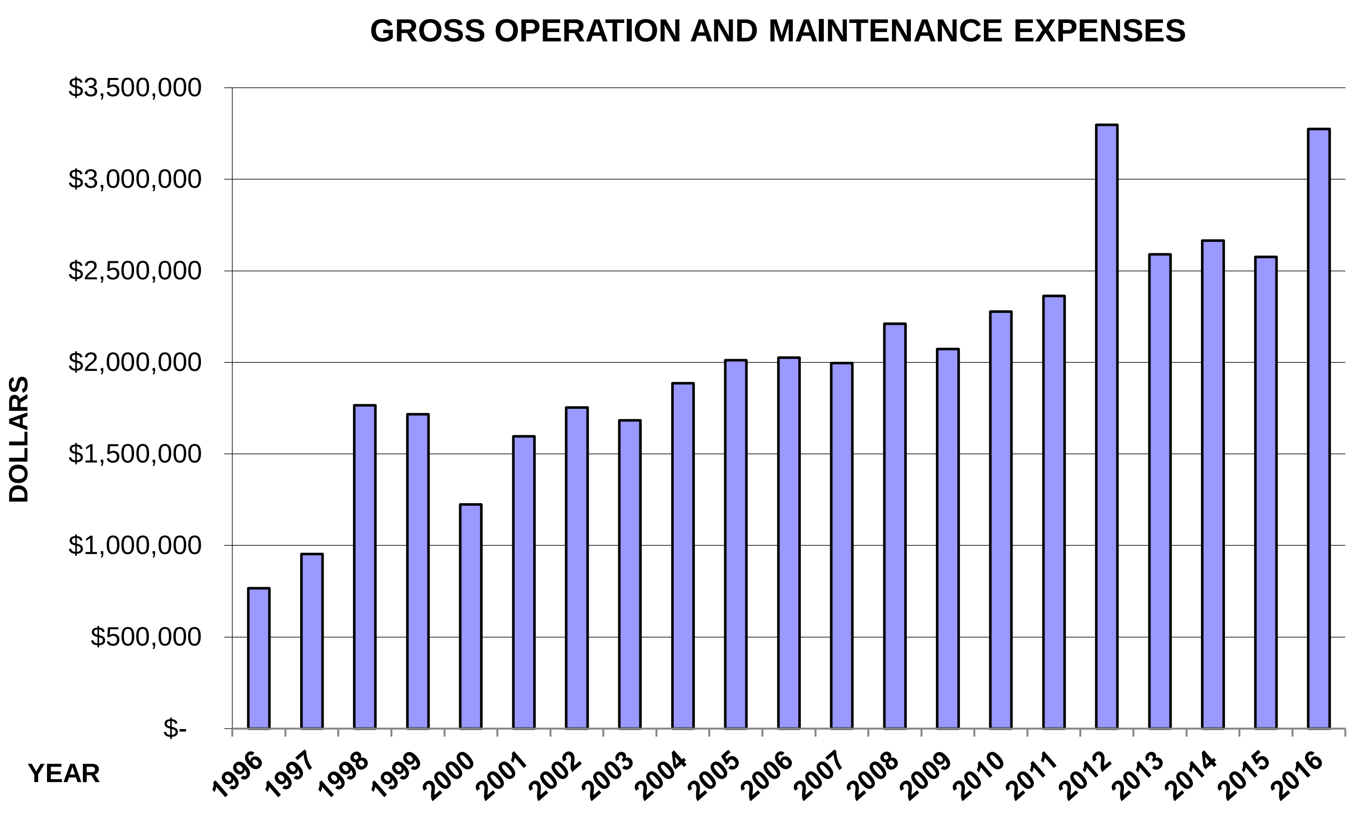
An increase in permitted tonnage in 2006 has allowed for better management of MSW and BUD materials which have enhanced cash flow. In 2011, we closed the Malone transfer station on Thursdays and the regional landfill on Saturday. We realized substantial cost savings with this change. We began receiving MSW from the St. Regis Mohawk Tribe in September 2013.

The above changes over the years, along with careful management of expenses has allowed the Authority to continue to show positive results. In 2013 and 2012, we were able to increase our MSW revenues from outside the county. With Cell 5 open the Authority is actively looking for additional sources of revenue which will have a positive impact on future operating results.

Fig. 9 - Onsite visitor on February 17, 2016.

Fig. 10 - Overall view of Cell 5 on September 3, 2015.


FUEL EXPENSE
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
DOLLARS
YEAR
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016


GROSS OPERATION AND MAINTENANCE EXPENSES
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
DOLLARS
YEAR
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016

The new SWMP approved in 2006, reflects the long-term plan of increased tonnages and an increased footprint to better balance debt loads and operating costs. With the completion of the Draft Environmental Impact Statement and the approval of the Final Environmental Impact Statement in March 2011, the Authority continued to move towards its long-term goal of expansion as outlined in its updated Solid Waste Management Plan of 2006. Land acquisition for the long term plan was completed in 2012. In January 2014, DEC issued a permit for the construction of Cell 5 and permitting of future Cells 6 and 7. The Authority is now in a position to continue showing positive financial results into the future and provide waste disposal for the County.

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 295,346	$ 177,100
Accounts and Grants Receivable	639,964	397,551
Prepaid Expenses	27,678	60,019
Total Current Assets	962,988	634,670
Restricted Assets:		
Cash and Cash Equivalents - Restricted	7,748,519	7,997,870
Total Restricted Assets	7,748,519	7,997,870
Noncurrent Assets:		
Property, Plant, and Equipment		
Land Improvements	4,006,451	2,040,041
Landfill Cell	19,436,385	13,441,158
Buildings	3,000,658	3,000,658
Machinery, Equipment, Vehicles	6,906,208	4,061,931
	33,349,702	22,543,788
Less Accumulated Depreciation	(22,498,165)	(21,423,744)
	10,851,537	1,120,044
Land	2,064,979	2,064,979
Construction in Progress	5,295,357	13,388,831
Net Property, Plant, and Equipment	18,211,873	16,573,854
Other Assets		
Capitalized Engineering and Cell Expansion Costs	5,160,995	5,229,053
Less Accumulated Amortization	(3,623,937)	(3,775,308)
Total Other Assets	1,537,058	1,453,745
Total Noncurrent Assets	19,748,931	18,027,599
Total Assets	28,460,438	26,660,139
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow on Bond Refunding	-	-
Deferred Outflow on ERS Pension	733,401	155,398
Total Deferred Outflows of Resources	$ 733,401	$ 155,398

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

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015
(CONTINUED)

	2016	2015
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 1,691,975	$ 3,836,830
Accrued Interest Payable	43,527	100,202
Retainage Payable	688,528	594,551
Bond Anticipation Note Payable	-	-
Current Installments of Bonds Payable	420,000	515,000
Current Installments of Long-term Debt	208,607	213,262
Total Current Liabilities	3,052,637	5,259,845
Noncurrent Liabilities:		
Bonds Payable - Less Current Installments	20,896,509	17,973,772
Long-term Debt - Less Current Installments	202,625	383,577
Environmental and Closure Accrual for Landfill	3,253,967	2,728,023
Pension Liability - ERS	702,317	157,340
Total Noncurrent Liabilities	25,055,418	21,242,712
Total Liabilities	28,108,055	26,502,557
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on ERS Pension	153,003	16,326
Total Deferred Inflows of Resources	153,003	16,326
NET POSITION		
Unrestricted	932,781	296,654
Total Net Position	$ 932,781	$ 296,654

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

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating Revenues:		
Solid Waste Fees	$ 5,966,868	$ 5,753,602
Recycling Fees	112,333	99,769
Service Fees - Franklin County	4,781,077	6,798,668
Miscellaneous Income	16,418	6,762
Total Operating Revenues	10,876,696	12,658,801
Operating Expenses:		
Operations and Maintenance	3,274,896	2,575,296
General and Administration	620,229	495,827
Depreciation	1,015,790	1,304,725
Amortization	(9,092)	316,909
Service Fees - Franklin County	4,781,077	6,798,668
Total Operating Expenses	9,682,900	11,491,425
Operating Income:	1,193,796	1,167,376
Nonoperating Revenues (Expenses):		
Interest Income	1,293	1,175
Bond Issuance Costs	(108)	(444,050)
Interest Expense	(558,854)	(440,315)
Total Nonoperating Revenues (Expenses)	(557,669)	(883,190)
Change in Net Position	636,127	284,186
Net Position - Beginning of Year as Previously Stated	296,654	68,832
Restatement - Change in Accounting (Note 12)	-	(56,364)
Net Position - Beginning of Year Restated	296,654	12,468
Net Position - End of Year	$ 932,781	$ 296,654

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

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Cash Received from Customers	$ 5,853,206	$ 6,065,363
Payments to Suppliers	(1,878,984)	(1,670,497)
Payments to Employees for Salaries and Benefits	(1,775,671)	(1,790,147)
Net Cash Provided by Operating Activities	2,198,551	2,604,719
Cash Flows from Noncapital Financing Activities		
Cash Payments from Franklin County	4,781,077	6,798,668
Cash Payments to Franklin County	(4,781,077)	(6,680,475)
Net Cash Provided by Noncapital Financing activities	-	118,193
Cash Flows from Capital and Related Financing Activities		
Principal Repayments	(900,689)	(17,686,568)
Interest Paid	(615,529)	(402,497)
Acquisition and Construction of Capital Assets	(4,357,442)	(8,358,399)
Proceeds from Bond Premium	-	126,647
Payments for Debt Issuance Costs	(108)	(444,050)
Proceeds from Issuing Debt	3,542,819	13,808,752
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,330,949)	(12,956,115)
Cash Flows from Investing Activities		
Interest Received on Deposits and Cash Equivalents	1,293	1,335
Redemption of Restricted Investments	-	24,200
Net Cash Provided by Investing Activities	1,293	25,535
Net Decrease in Cash and Cash Equivalents	(131,105)	(10,207,668)
Cash and Cash Equivalents - Beginning of Year	8,174,970	18,382,638
Cash and Cash Equivalents - End of Year	$ 8,043,865	$ 8,174,970

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

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

	2016	2015
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 1,193,796	$ 1,167,376
Adjustments to Reconcile Operating Income to Net Cash provided by operating activities:		
Depreciation	1,015,790	1,304,725
Amortization	(9,092)	316,909
Bad Debt Expense	-	-
Change in Deferred Outflow on ERS Pension	(578,003)	(1,299)
Change in Pension Liability ERS & Deferred Inflow	681,654	(36,797)
Changes in Operating Assets - (Increase) Decrease		
Accounts and Grants Receivable	(242,413)	205,230
Prepaid Expenses	32,341	(4,396)
Changes in Operating Liabilities - Increase (Decrease)		
Accounts Payable and Accrued Liabilities	(421,466)	(464,792)
Environmental Closure Accrual	525,944	117,763
Net Cash Provided by Operating Activities	$ 2,198,551	$ 2,604,719

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The County of Franklin Solid Waste Management Authority (Authority) was created as a public benefit corporation under New York State Public Authorities Laws 2041, Title 13-AA Chapter 665 of the Laws of 1988 by the New York State Legislature with powers to, among other things, (i) plan, develop, and construct solid waste management facilities; (ii) acquire interests in real and personal property and dispose of them; (iii) receive, transport, process, dispose of, sell, store, convey, recycle, and deal with solid waste and energy generated by operation of a solid waste management facility; (iv) contract with governments including Franklin County (County) and local governments within the County in relation to its activities; (v) borrow money and issue bonds; and (vi) fix and collect rates, rentals, fees, and other charges for the use of the facilities of, or services rendered by, or any commodities furnished by, the Authority.

The Board of the Authority is comprised of seven members appointed by the legislature of the County.

The Authority has constructed a solid waste management system (SWMS), which includes a regional landfill and three transfer stations in Franklin County (Malone, Lake Clear, and Tupper Lake). The SWMS began operations on June 6, 1994. It is included in Franklin County's financial statements as a component unit.

A summary of the significant accounting policies consistently applied in the preparation of accompanying financial statements follows.

ACCOUNTING METHOD

The Authority's financial statements are prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Government Accounting Standards Board (GASB). The Authority’s operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of the solid waste facility.

CASH AND INVESTMENTS

Cash and cash equivalents consist of cash and investments which mature no more than three months after the date purchased.

Restricted cash and cash equivalents are held in money market funds and are legally restricted in uses and purposes by the Authority's bond documents.

Investments are presented at cost which approximates the current market value or the value at the date management anticipates liquidating the investment. Restricted investments consist of marketable equity securities held by the bond trustee. These investments will be liquidated and expended for the construction and acquisition of capital assets, bond interest and principal payments, and environmental and closure costs in accordance with the bond trust indentures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND INVESTMENTS (continued)

The Authority has entered into a repurchase agreement. The agreement requires collateralization of cash at 100% and securities at 103%. Approximately $2,000,000 relating to the 1995, 2000, and 2003 Debt Service Reserve funds were subject to the agreement. The funds can be repurchased on demand to provide for shortfall in regularly scheduled payments of principal and interest on the bonds. The funds cannot be repurchased for reinvestment. The final repurchase date was April 1, 2015.

The Authority is required by local law to collateralize any of its cash deposits which are in excess of the Federal Deposit Insurance Corporation limit. There were deposits that exceeded the FDIC insurance at June 30, 2015 of $3,008,892. The balances at June 30, 2016 were properly covered by FDIC insurance, collateral or invested in U.S. Treasury backed securities.

All of the Authority's investments are either registered in the Authority's name or held in trust by a third-party custodian in the Authority's name.

ACCOUNTS RECEIVABLE

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that any realized losses on balances outstanding at year-end will be immaterial.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment are recorded at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to operations.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on the straight-line basis, including the landfill cells. The straight-line method approximates the cells' capacity used. The estimated lives used in determining depreciation for property, plant and equipment vary from five to twenty years.

ENVIRONMENTAL AND CLOSURE ACCRUALS

State and federal laws and regulations require that the Authority place a final cap on its landfills when closed and perform certain maintenance and monitoring functions at the landfill sites after closure.

The Authority maintains a reserve for closure of the Regional Landfill as established in the 1993 Series Bond Agreement. The balance in the reserve totaled $3,308,450 and $3,018,247 at June 30, 2016 and 2015, respectively. These funds are reported herein as restricted cash equivalents and investments. The Authority meets its closure obligations through the financial assurance test and these reserve funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ENVIRONMENTAL AND CLOSURE ACCRUALS (continued)

The Authority's policy regarding closure and monitoring costs for its landfills is to accrue these costs and charge them to the expense over the useful operating life of each landfill. Management believes this policy accurately matches closure and monitoring costs against revenues generated by each landfill. The accrual is based on the percentage of total landfill capacity used as of the end of each year, multiplied by the total estimated closure and monitoring costs. These estimates are generated by management, with assistance from an independent consulting engineering firm.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, investments, accounts receivable, accrued interest, accounts payable, and current portion of long-term debt and bonds payable approximated fair market value because of the short maturity of those instruments.

The carrying values of the Authority's long-term debt and bonds payable approximate market value as terms of the debt reflect current market rates and terms.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2 - CAPITALIZED ENGINEERING, CELL EXPANSION COSTS AND BOND FINANCING

Capitalized costs relate to various initial start-up costs and costs associated with cell expansions. Also included are bond premium and discount costs when bonds are issued.

A summary of capitalized engineering, cell expansion and financing costs at June 30, 2016 and 2015, is as follows:

	2016	2015
Construction and engineering costs	$ 3,130,013	$ 3,130,013
Discount on bonds payable	354,152	354,152
Premium on bonds payable	(280,175)	(280,175)
Ton increase costs	-	83,648
Expansion increased costs	1,957,005	1,941,415
	$ 5,160,995	$ 5,229,053

Authority establishment costs are amortized over 20 years on a straight-line basis, beginning on June 6, 1994, the date on which operations began. The ton and expansion increase costs are being amortized over 6 and 20 years on a straight-line basis, respectively. Amortization expense related to the establishment and expansion costs totaled $10,955 and $253,572 for the years ended June 30, 2016 and 2015, respectively. Amortization associated with discounts and premium on bonds payable, was ($20,047) and $4,660 for the years ended June 30, 2016 and 2015, respectively. The Ton increase Costs were completely amortized in 2015 and were removed from the schedule in 2016, the Construction and Engineering costs were fully amortized during 2016 and will be removed from the schedule next year.

NOTE 3 - DEFERRED AMOUNT OF BOND REFUNDING/DEFEASANCE

Capitalized costs relate to bond refunding or defeasance at June 30, 2016 and 2015, is as follows:

	2016	2015
Deferred amount on defeased 1993 bond	$ -	$ 704,135
Less: Accumulated amortization	-	(704,135)
Net Deferred Amount of Bond Refunding/Defeasance	$ -	$ -

The deferred amount on the defeased 1993 bond are being amortized over the lives of the bonds using the straight-line method and are completely amortized as of June 30, 2015. The deferred amount was removed from the schedule in 2016. Amortization associated with bonds defeasance was $0 and $58,678 for the years ended June 30, 2016 and 2015, respectively.

NOTE 4 - REVENUE BOND ANTICIPATION NOTES PAYABLE

The Authority had no revenue bond anticipation notes payable outstanding at June 30, 2016 and 2015.

NOTE 5 - BONDS PAYABLE

A summary of the Authority's bonds payable is as follows:

	2016	2015
EFC Bonds to be used in defeasance of 1993 bonds. Interest is payable semiannually at 2.82%, principal installments of \$110,000 through \$170,000, payable annually on December 15th through 2015. Fully paid.	\$ -	\$ 170,000
Solid Waste System Revenue Bond Series 2012. Interest payable semiannually at 2.0% to 5.0% principal installments of \$200,000 through \$370,000, first payment due payable annually starting on June 1, 2015 through 2032.	4,405,000	4,610,000
EFC Note. The note is dated 9/25/2014 and will mature on 9/25/2017. The total available on the note is \$10,466,100. The note will bear interest of -0-% on one half and 0.31% on the remaining half, interest is payable on the maturity date. See Note 12.	8,501,509	5,158,772
Solid Waste System Revenue Bond Series 2015 A & B. Interest payable semiannually at 3.0% to 5.0% principal installments of \$140,000 through \$530,000, first payment due payable annually starting on June 1, 2016 through 2040.	8,410,000	8,550,000
	\$ 21,316,509	\$ 18,488,772
Less: current installments	(420,000)	(515,000)
	\$ 20,896,509	\$ 17,973,772

In prior years, the Authority defeased a portion of the 1993 Series Bonds by placing the proceeds for the 1995A Series Bonds in an irrevocable trust to provide for all future debt service payments on the 1993 bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Authority's financial statements. At June 30, 2016 and 2015, \$-0- and \$170,000 in bonds outstanding are considered defeased.

NOTE 5 - BONDS PAYABLE (continued)

The Series 2003 Bonds are not subject to redemption prior to maturity, other than Sinking Fund Redemption of the Series 2003B Bonds. The Series 2003B Bonds have a redemption price of 100%.

A summary of the Authority's future minimum annual maturities for bonds payable and bond interest due is as follows:

For the year ending June 30,	Principal	Interest
2017	$ 420,000	$ 522,325
2018	8,931,509	510,025
2019	445,000	492,825
2020	460,000	474,975
2021	475,000	456,475
2022-2026	2,730,000	1,945,575
2027-2031	3,380,000	1,296,575
2032-2036	2,475,000	673,800
2037-2041	2,000,000	204,000
	$ 21,316,509	$ 6,576,575

Interest expense on the above indebtedness was $522,724 and $485,331 for the years ended June 30, 2016 and 2015, respectively, when bond related amortization costs are included. Interest paid was $599,446 and $402,497 for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 - LONG-TERM DEBT

Long-term debt is summarized below:

	2016	2015
First Niagara Leasing, Inc. capital lease payable in semiannual installments of $4,723 including interest at 3.20%, due June 2018, secured by equipment.	$ 18,159	$ 26,816
First Niagara, installment loan payable in semiannual installments of $16,355 including interest at 3.124%, due January 2016, secured by equipment. Fully paid in 2016.	-	16,103
BNP Paribus, capital lease payable in semiannual installments of $10,004 including interest at 2.717%, due August 2017, secured by equipment.	29,213	48,042
Caterpillar Financial Services, capital lease payable in semiannual installments of $35,976 including interest at 2.635%, due August 2017, secured by equipment.	105,145	172,982

NOTE 6 - LONG-TERM DEBT (continued)

Caterpillar Financial Services, capital lease payable in semiannual installments of $43,901 including interest at 2.095%, due February 2018, secured by equipment.	171,102	254,015
First Niagara Leasing, Inc. capital lease payable in annual installments of $21,099 including interest at 2.76%, due March 2019, secured by equipment.	59,958	78,881
TCF Equipment Finance capital lease payable in semiannual installments of $3,711 including interest at 3.211%, due January 2020, secured by equipment.	27,655	-
	411,232	596,839
Less: current portion	(208,607)	(213,262)
	$ 202,625	$ 383,577

Interest expense incurred and paid on the above indebtedness was $13,895 and $18,320 for the years ended June 30, 2016 and 2015, respectively. The Authority incurred $2,189 and $1,873 of additional interest expense on financing of its insurance policy payments during the years ended June 30, 2016 and 2015, respectively.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2016, is as follows:

For the year ending June 30,	2017	$ 208,607
	2018	167,825
	2019	27,553
	2020	7,247
		$ 411,232

NOTE 7 - ENVIRONMENTAL AND CLOSURE ACCRUAL FOR LANDFILL

A summary of the environmental and closure accrual, which includes the consulting engineer's estimate of the cost for environmental compliance, landfill closure, and post-closure through June 30, 2016, based on existing operating cell capacity is as follows:

Total landfill capacity	2,115,758	cubic yards
Total landfill capacity used through June 30, 2016	1,678,582	cubic yards
Percentage of total landfill capacity	79.34%	
Estimated closure and post-closure costs for existing cells	$ 4,101,442	
Environmental and closure accrual	$ 3,253,967	
Anticipated closure date	2074	

NOTE 8 - PENSION PLAN

PLAN DESCRIPTION

The County of Franklin Solid Waste Management Authority of New York participates in the New York State and Local Employees' Retirement System (ERS) which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which is established to hold all net asset and record changes in plan 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 plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The *County of Franklin Solid Waste Management Authority* 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, including information with regard to benefits provided, 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.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System 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, who generally contribute between 3% and 6% of their salary for their entire length 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	$ 137,981
2015	219,546
2014	158,423

The employer contribution rates for the plan's year ending in 2016 are as follows:

Tier/Plan	Rate
3 A15	18.8%
4 A15	18.8%
5 A15	15.5%
6 A15	10.5%

NOTE 8 - RETIREMENT PLAN (continued)

Prior to 2013, the Authority's contributions made to the System were equal to 100% of the contributions required for each year. Beginning in 2013 the Authority elected to amortize payments with the Contribution Stabilization Program. For the years ending June 30, 2014 and 2013, the Authority elected maximum amortization of $45,069 and $56,767, respectively, and made contributions of $113,354 and $116,470. The Comptroller of New York State annually determines the interest rate for the program. For the 2014 and 2013 ERS payments, rates of 3.67% and 3.0%, respectively were set for each ten year period. For FY16 and FY15 the Authority paid the full contribution of $137,981 and $219,546, respectively. The contribution for the years 2016 and 2015 included payments on the 2013 and 2014 deferred amounts.

A summary of the Authority's future annual minimum maturities of the amortization at June 30, 2016, is as follows:

		Principal	Interest	Total
For the year ending June 30,	2017	$ 9,453	$ 2,617	$ 12,070
	2018	9,767	2,303	12,070
	2019	10,090	1,980	12,070
	2020	10,424	1,646	12,070
	2021	10,770	1,300	12,070
	2022-2024	27,867	1,708	29,575
		$ 78,371	$ 11,554	$ 89,925

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

At June 30, 2016 and 2015, the *County of Franklin Solid Waste Management Authority* reported a liability of $702,317 and $157,340, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The *County of Franklin Solid Waste Management Authority's* proportion of the net pension liability was based on a projection of the *County of Franklin Solid Waste Management Authority*'s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016 and 2015, the *County of Franklin Solid Waste Management Authority*'s proportion was 0.0043757 percent and 0.0046574 percent, respectively. The ERS reported no change in the allocation percentage measured as of March 31, 2014 in relation to the March 31, 2015 percentage.

NOTE 8 - RETIREMENT PLAN (continued)

For the year ended June 30, 2016 and 2015, the County of Franklin Solid Waste Management Authority recognized pension expense of $232,475 and $138,313, respectively. At June 30, 2016 and 2015, the County of Franklin Solid Waste Management Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,549	$ 83,248
Changes of Assumptions	187,287	-
Net difference between projected and actual earnings on pension plan investments	416,653	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	69,755
Contributions subsequent to the measurement date	125,912	-
Total	$ 733,401	$ 153,003

June 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,037	$ -
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	27,328	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	16,326
Contributions subsequent to the measurement date	123,033	-
Total	$ 155,398	$ 16,326

NOTE 8 - RETIREMENT PLAN (continued)

The *County of Franklin Solid Waste Management Authority*'s had $125,912 and $123,033 at June 30, 2016 and 2015, respectively in accrued contributions subsequent to the measurement date that are considered deferred outflows of resources that would be recognized as a reduction of the net pension liability in the subsequent years ending June 30, 2017 and 2016. 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 June 30,	2016	2015
2016	$ -	$ 4,010
2017	114,502	4,010
2018	114,502	4,010
2019	114,502	4,009
2020	110,980	-
Thereafter	-	-

Actuarial Assumptions

The total pension liability was determined by using an actuarial valuation as noted in the tables below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the respect valuations were as follows:

	2016	2015
Measurement Date	March 31, 2016	March 31, 2015
Actuarial Valuation Date	April 1, 2015	April 1, 2014
Investment Rate of Return	7.0%	7.5%
Salary Scale	3.8% indexed by Service	4.9% indexed by Service
Projected COLAs	1.3%	1.4%
Decrement Tables	4/1/10 to 3/31/15 System's Experience	4/1/05 to 3/31/11 System's Experience
Inflation Rate	2.5%	2.7%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 for FY 2016 and April 1, 2005 – March 31, 2011 for FY 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015 and the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

NOTE 8 - RETIREMENT PLAN (continued)

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 and 2015 are summarized below.

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.30%
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation Indexed Bonds	2	4.00
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for 2016 and 7.5% for 2015. 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.

NOTE 8 - RETIREMENT PLAN (continued)

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

The following presents the *County of Franklin Solid Waste Management Authority*'s proportionate share of the net pension liability calculated using the discount rate of 7.0% for 2016 and 7.5% for 2015, as well as what the *County of Franklin Solid Waste Management Authority*'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 and 6.5 percent) or 1-percentage-point higher (8.0 and 8.5 percent) than the current rate:

	June 30, 2016		
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (Asset)	$ 1,583,673	$ 702,317	$ (42,392)

	June 30, 2015		
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (Asset)	$ 1,048,739	$ 157,340	$ (595,222)

Pension plan fiduciary net position

The components of the collective net pension liability of ERS as of March 31, 2016 and 2015 measurement date were as follows:

	March 31, 2016	March 31, 2015
Total pension liability	$ 172,303,544,000	$ 164,591,504,000
ERS fiduciary net position	(156,253,265,000)	(161,213,259,000)
Employers' net pension liability	$ 16,050,279,000	$ 3,378,245,000
ERS fiduciary net position as a Percentage of total pension liability	90.7%	97.9%

NOTE 8 - RETIREMENT PLAN (continued)

Employer contribution to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employers' contribution rate, by tier plus any remaining liability for deferred payments from FY's 2013 and 2014. Accrued retirement contributions to ERS as of June 30, 2016 were $113,376. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employers' contribution rate, by tier plus any remaining liability for deferred payments from FY's 2013 and 2014. Accrued retirement contributions to ERS as of June 30, 2015 were $123,033.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

On May 1, 1993, the Authority entered into a Services Agreement with Franklin County, whereby the County will cause to be delivered to the Authority substantially all solid waste produced within the County. This agreement commenced upon operation by the Authority and will continue until the later of (a) the twentieth anniversary of the operation commencement date or (b) the maturity date of outstanding Authority indebtedness, provided, however, that in no event shall the agreement have a term of greater than twenty-five years from the latest date of execution of the Services Agreement.

In consideration of the Authority's performance of certain activities relating to solid waste disposal, the County shall pay a service fee equal to the Authority's estimated debt service, plus operating and maintenance costs less estimated net investment earnings, if any, for each fiscal year, provided that in no event shall the service fee be less than zero. The County shall pay the Authority one-twelfth of the current fiscal year's estimated service fee on the first day of each month.

Service fees paid by the County to the Authority for the years ended June 30, 2016 and 2015 total $4,781,077 and $6,798,668 respectively.

The Authority is required to reimburse the County an amount equal to total tipping and user fees received in the prior month up to the aggregate estimated service fee paid by the County, as described above. Under this agreement, the Authority reimbursed the County for the years ended June 30, 2016 and 2015, $4,781,077 and $6,798,668, respectively. The Authority owed Franklin County $514,628 and $659,551 at June 30, 2016 and 2015, respectively. These amounts are included in accounts payable.

Within ninety days of the end of each fiscal year, the Authority shall calculate a year-end adjustment which represents the Authority's actual service fee; calculated using the cash basis of accounting, less amounts paid by the County plus the aggregate amount of all Authority reimbursements to the County. A service fee surplus for any year-end shall be maintained by the Authority in its operating cash account, provided that if such service fee surplus occurs in the final year of the Services Agreement, such amount shall be remitted to the County. A service fee shortfall for any year-end shall be paid to the Authority by the County.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

The Authority did not have any revenue sources accounting for more than 10% of the Authority's operating revenues.

The Authority has commitments to contractors for the Cell 5 and the Administrative & Shop Facilities construction projects at June 30, 2016 totaling $108,960. Retainage in the amount of $688,528 was held at June 30, 2016 and is reflected as a liability.

NOTE 10 - RECLASSIFICATIONS

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

NOTE 11 - ACCOUNTING CHANGES / RESTATEMENT OF NET POSITION

The Authority has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. For the year ended June 30, 2015, the Authority implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the Authority's participation in the Employees' Retirement Systems. The Authority's net position has been restated as follows:

Net position beginning of year, as previously stated	$	68,832
GASB Statement No. 68 implementation:		
Beginning System Liability – Employees' Retirement System		(210,463)
Contribution subsequent to the measurement date		154,099
Net position beginning of year, as restated	$	12,468

For the year ended June 30, 2014, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Authority has restated the beginning net position in the Statements of Net Position, effectively decreasing net position as of July 1, 2012 by $326,832. The decrease results from no longer deferring and amortizing bond issuance costs over the life of the bond repayment. Further, the Authority has restated its net capital assets to reflect that a component of those assets as of June 30, 2014 - deferred amount on bond refunding - is now reported as a deferred outflow of resources on the Statements of Net Position. The effect of this change, as of June 30, 2014, is a decrease in total other assets and a corresponding increase of deferred outflows of resources of $58,677.

NOTE 12 - SUBSEQUENT EVENTS

The Authority has evaluated events and transactions that occurred between June 30, 2016 and October 18, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

On September 22, 2016, the Authority closed on 2016 EFC Revenue Bonds in the amount of $11,342,974. The proceeds of the bonds were used to pay off the 2014 EFC Bonds outstanding and provide funds for the required debt service reserves as well as funds for the completion of outstanding capital projects.

SUPPLEMENTAL SCHEDULES

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Operations & Maintenance	**General & Administration**	**Operations & Maintenance**	**General & Administration**
Salaries, Wages, and Compensated Absences	$ 927,937	$ 239,278	$ 904,260	$ 193,899
Board Expenses	-	1,934	-	1,246
Host Community Benefits	-	59,590	-	62,771
Payroll Taxes and Employee Benefits	623,100	89,007	553,955	61,176
Environmental and Closure	563,731	-	156,206	-
Environmental Monitoring	41,783	-	65,039	-
Fuel	190,519	-	300,119	-
Insurance	73,742	67,487	70,608	52,498
Leachate Disposal	9,171	-	3,801	-
Waste Disposal	3,700	-	5,100	-
Miscellaneous Equipment	110,075	-	113,398	-
Office	5,064	14,566	3,588	10,798
Other Contractual Services	275,166	-	6,784	-
Professional Fees	53,161	101,809	4,763	57,160
Recycling	26,533	-	25,830	-
Repairs and Maintenance	224,884	22,852	201,606	25,534
Supplies	59,459	-	68,312	-
Telephone	7,862	5,720	8,570	4,848
Travel and Conference	3,110	6,780	2,807	5,009
Trustee Costs	-	9,000	-	13,245
Utilities	68,722	1,682	77,130	2,280
Miscellaneous	7,177	524	3,420	5,363
	$ 3,274,896	$ 620,229	$ 2,575,296	$ 495,827

See paragraph on supplemental schedules included in auditors' report.

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS

New York State Employees Retirement System (ERS)

	2016	2015
Authority's proportion of the net pension liability (asset)	0.0043757%	0.00465740%
Authority's proportionate share of the net pension liability (asset)	$ 702,317	$ 157,340
Authority's covered-employee payroll	$ 1,038,194	$ 1,294,266
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.65%	12.16%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

Note - amounts presented for each fiscal year were determined as of the March 31st measurement date as of the current fiscal year

(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* .

See paragraph on supplementary schedules included in auditors' report.

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

New York State Employees Retirement System (ERS)

	2016	2015
Contractually required contribution	$ 125,912	$ 207,475
Contributions in relation to the contractually required contribution	125,912	207,475
Contribution deficiency (excess)	$ -	$ -
Authority's covered employee payroll	$ 1,038,194	$ 1,294,266
Contributions as a percentage of covered employee payroll	12.13%	16.03%

Note **-** amounts presented for each fiscal year were determined as of the June 30th measurement date as of the prior fiscal year

(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* .

See paragraph on supplementary schedules included in auditors' report.

Crowley & Halloran, CPAs, P.C.

Certified Public Accountants, Auditors, and Consultants
215 Washington Street, Suite 100, Watertown, NY 13601
Phone: (315) 788-3140 Fax: (315) 782-5321
www.crowleyhalloran.com

Michael W. Crowley, CPA*
Pamela J. Halloran, CPA*

* Licensed in NY & PA

Members of:
AICPA
NYSSCPA
Government Audit Quality Center
Employee Benefit Plan Audit Quality Center

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
County of Franklin Solid Waste Management Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the County of Franklin Solid Waste Management Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Franklin Solid Waste Management Authority's basic financial statements and have issued our report thereon dated October 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Franklin Solid Waste Management Authority'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 County of Franklin Solid Waste Management Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin Solid Waste Management Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments to management, we identified certain deficiencies in internal control we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying comments to management to be a material weakness, as item 2016-001.

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* (CONTINUED)

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. We consider the deficiencies described in the accompanying comments to management to be significant deficiencies, as items 2016-002; 2016-003, 2016-004, and 2016-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Franklin Solid Waste Management Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments to management, as item 2016-005.

County of Franklin Solid Waste Management Authority's Response to Findings

The County of Franklin Solid Waste Management Authority's response to the findings identified in our audit is described in the accompanying comments to management. The County of Franklin Solid Waste Management Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Crowley & Halloran, CPAs P.C.

October 18, 2016
Watertown, New York

The following deficiency has been determined to be a material weakness over financial reporting.

2016-001: Deficiencies in the Design of Controls over financial statement preparation

Condition and Criteria: The Authority's statements are reported using the accrual basis of accounting. Under this method, expenses are recorded when the related liability is incurred and revenues are recorded when earned. We noted multiple instances of improperly recorded transactions that were not reconciled to supplementary schedules and the underlying records requiring significant and material adjustments. Without the proper recording of certain transactions, the Authority's actual economic state is not being reflected. The auditor cannot be considered part of the Authority's internal control. Additionally, the Authority cannot rely on audit adjustments to correct their financial statements; it is not allowable for an independent auditor to perform in that capacity. We proposed material audit adjustments that would not have been identified as a result of the Authority's existing internal controls and, therefore, could have resulted in a material misstatement of the Authority's financial statements.

Recommendation: We recommend that the Authority reconcile all balance sheet general ledger accounts on a monthly basis to be certain that the proper balance is being reflected.

Management's response: *The Authority will ensure that all general ledger accounts are balanced on a monthly basis and verify that the proper balances are reflected at the end of each month.*

The following deficiencies have been determined to be significant deficiencies over financial reporting.

2016-002: Segregation of Duties

Condition and Criteria: We noted that cash receipts are collected by the same person who has access to all of the accounting records. The Authority's bookkeeper collects all cash and deposits the receipts each day and prepares the bank reconciliations. The bookkeeper also handles cash disbursements and the creation of new vendors. The bookkeeper has access to the payroll system and is entering employee time and processing payroll. This represents a segregation of duties problem. Additionally, the bookkeeper is responsible for assigning user rights and passwords in the scale software system.

Recommendation: Although we noted the Authority has implemented several mitigating controls to help detect errors or irregularities, due to the small size of the Authority's office staff, a perfect set of controls may not be possible. Therefore, we recommend that the Board be aware of the segregation of duties problem and continue to implement both preventative and detective controls over the business operating functions to help reduce the risk of misuse of the Authority's assets.

Management's Response: *The Authority recognizes the segregation of duty problems. We will continue to implement preventative and detective controls when possible to minimize the misuse of Authority assets.*

2016-003: Controls over Cash Deposits

Condition and Criteria: Adequate controls over cash receipts, deposits, and reconciliations are critical internal control elements. We noted instances where deposits were not made in accordance with the Authority's cash deposit policy and reconciliations were not performed in a timely basis. In one situation, although immaterial, the theft of a deposit was not discovered for several weeks after it occurred. This significantly impeded the investigation of the theft. Reconciling deposits to the bank activity on a regular basis are necessary to detect discrepancies and to act promptly to report and recover stolen or lost funds.

Recommendation: We recommend that the Authority strictly adhere to the adopted cash policy. Every deposit should be reconciled to the bank activity on a daily basis. Controls should be put in place that segregate the bank reconciliation process from the cash related duties. Mail should be retrieved and opened by an employee not responsible for accounting. Cash receipts could be recorded and the deposit prepared by this person. Bank statements, canceled checks, and appropriate advices should be received by someone other than the employee maintaining cash records. Such items should be periodically reviewed prior to turning them over for reconciliation. Any unusual items should be investigated promptly. Signed checks should be mailed without allowing them to be returned to the employee responsible for accounts payable.

Management's Response: *The Authority will strictly adhere to the cash management policy. Controls will be put in place to segregate the bank reconciliation process from cash related duties. Mail will be retrieved by an employee who is not responsible for accounting. All mail will be time stamped and forwarded to the appropriate recipient. Bank statements will be opened and reviewed by the Executive Director prior to bank reconciliation. Any unusual items will be reviewed within 24 hours. Signed checks will be prepared for mailing and mailed by an employee not responsible for accounts payable.*

2016-004: Controls over the Cash Disbursement Process

Condition and Criteria: We noted instances of weaknesses in internal controls over the purchasing and disbursement processes during our testing. We noted a situation where the delivery provider for electricity was changed without proper authorization or the knowledge of the Board. This resulted in the improper payment of sales tax on government purchases that was not detected during the year. We also noted sales tax was paid during the year on the telephone service provider. Both situations resulted in unnecessary expenditures, however the Authority was ultimately provided a refund from the vendor providing the electricity delivery. We observed during our testing of open invoices that a significant amount of vendor invoices had not been entered into the accounting program. Invoices should be entered on a daily basis to ensure proper financial reporting and controls.

Recommendation: We recommend that the Authority put procedures in place that require authorizations of the change in vendors that will impact the Authority. All disbursements should be reviewed prior to payment to ensure sales tax is not being charged. All transactions should be entered into the system timely.

2016-004: Controls over the Cash Disbursement Process (continued)

Management's Response: *Utility suppliers will not be changed without the appropriate authorization of the Executive Director or the Authority's Board. Vendor invoices will be entered into the accounting program upon receipt or within 24 hours. The Authority will ensure that sales tax will not be paid to any vendor and all vendors will be informed of the Authority's government status for the exemption.*

The following item is considered an instance of noncompliance.

2016-005: Debt Service Reserve Requirement Compliance

Condition and Criteria: Section 601(1)(iii) of the 1993 bond resolution, as amended to date, requires the Authority to maintain a Debt Service Reserve Fund in an amount equal to 100% of the maximum annual debt service. According to the bond amortization schedule, the maximum required payment related to the 2012 and 2015 Bonds occurs in 2017 and is $942,325.00. The amount on deposit was $871,333.78, a deficit of the total Debt Service Reserve Fund requirement of $70,991.22. At times during the fiscal year, the Authority was not in compliance with the 1993 Bond Resolution.

Recommendation: We recommend that the Authority evaluate the Debt Service Reserve Fund on a regular basis to ensure compliance with the bond resolution throughout the year.

Management's Response: *The Authority on a regular basis in conjunction with its financial advisor will ensure that the Debt Service Reserve Funds are incompliance with the bond resolution.*