COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY

REPORT ON AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of Matter

Change in Accounting Principle
We draw attention to Notes 9 and 12 in the notes to the financial statements which disclose the effects of County of Franklin Solid Waste Management Authority's adoption of the provisions of GASB Statement No. 68 *Accounting* and *Financial Reporting for Pensions and* GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

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 4–28 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 September 24, 2015, 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
September 24, 2015

COUNTY OF FRANKLIN SOLID WASTE

MANAGEMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS

CFSWMA LANDFILL SITE SEPTEMBER 2015

CELL 5 COMPLETE

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

ACCOUNTANT

Crowley & Halloran, CPAs, PC

September 24, 2015

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, 2015, 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, 2015, 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, 2015 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 seven members 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 is currently not finished but we anticipate substantial complete in October 2015. The Authority expects to recover all costs associated with the late delivery of the cell.

The Authority will complete 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 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.

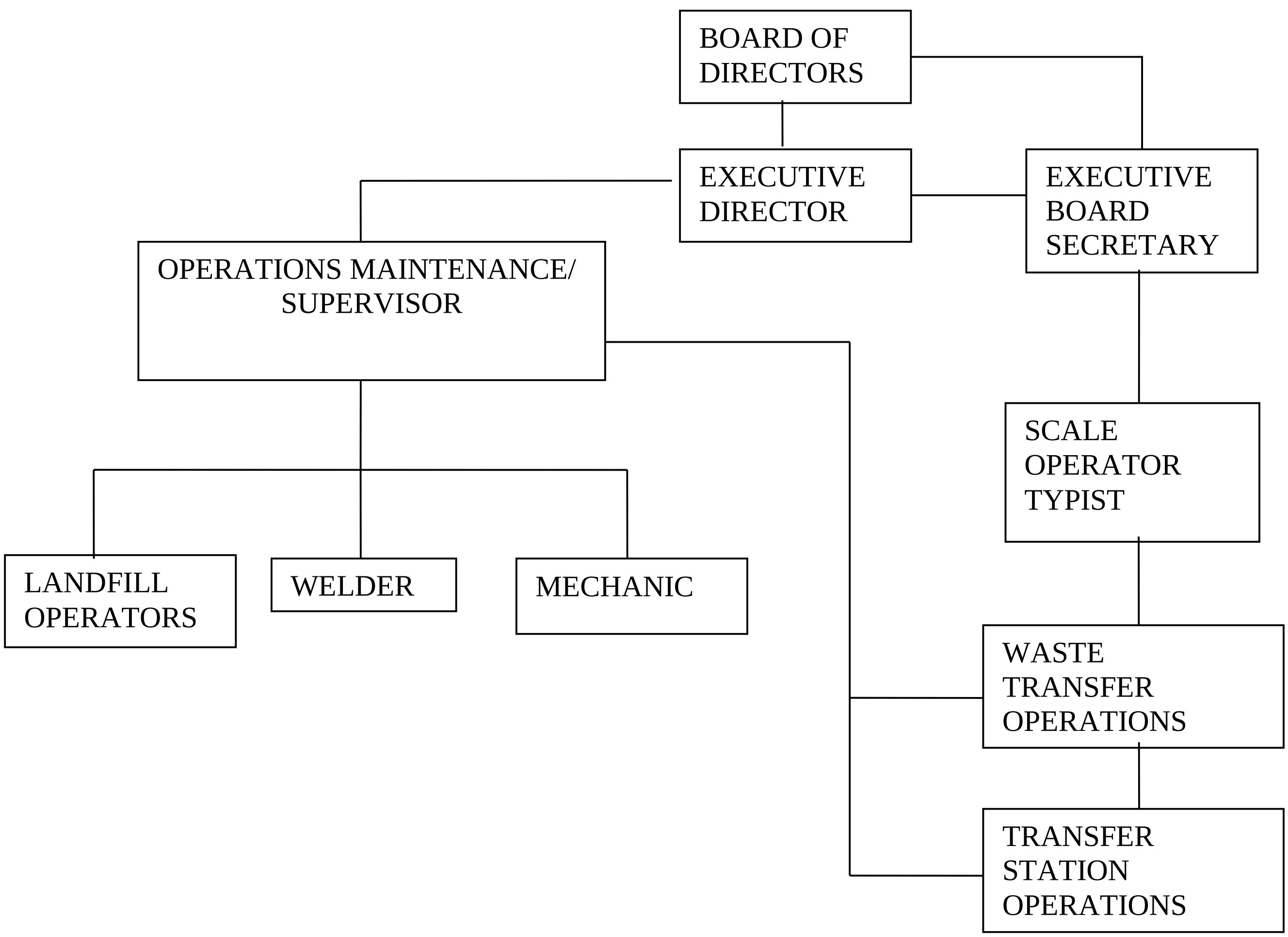
Acknowledgements

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, 2015. 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

In 2015, the Authority received a little less MSW but more BUD material than 2014. Overall, tonnage was in line with historical norms. Revenue from MSW and C&D remains stable which is encouraging. The increase in MSW tonnage and an increase in tipping fees enabled the Authority to finish the year with a surplus. The Authority continues to develop other sources of MSW in anticipation of a new permit and the increased airspace availability.

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 2015 was similar to that of 2014 with an increase of $23,879 due to the issuance of the Revenue Bond Series 2015 A&B. Net position in 2015 increased by $284,186.

The capital assets in the amount of $16,573,854 of the Authority after depreciation, include land, buildings and equipment as well as construction in progress in the amount of $13,388,831. Restricted cash and cash equivalents amount to $7,997,870. The changes from 2014 reflect borrowing and construction in progress for the new cell and buildings.

In 2015, the Authority’s revenues exceeded its expenses by $284,186. This is a significant change over last year’s results. The change is due to the net effect of increased solid waste fees by $431,805 due to the raised tipping fees made in April 2014; and expensing of 2015 bond issuance costs of $166,328 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 and converted the remaining BANS to bonds. 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 Authority expects substantial completion of this contract in mid-October 2015. 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 well and we expect to occupy the new facilities in the fall of 2015.

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 will renew the agreement in the upcoming year.

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 decreased $1,611,868 in 2015 due the retirement of the 2014 BANS that were issued for the purpose of constructing Cell 5 and ancillary facilities. In December 2015, payments of all bonds issued by the Authority prior to 2012 will be complete.

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** **New Maintenance Building , in foreground existing office and scale new 1.1 million gallon leachate tank, beside existing tank**

Fig. 2. Watson Electric with Northline Utilities upgrading electrical service to 3 phase

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 $227,822 in the fiscal year 2015, after a restatement of beginning Net position in 2015 for the change in accounting required for the implementation of GASB Statements No. 68 and 71. A condensed summary of the Authority's net position for fiscal years 2015, 2014, and 2013, is presented below.

Assets:	2015	2014	2013
Current Assets	$ 634,670	$ 726,627	$ 712,627
Investments and Restricted Assets	7,997,870	18,338,775	6,058,929
Other Assets	1,453,745	1,814,334	1,686,132
Capital Assets	16,573,854	7,244,844	5,799,900
Total Assets	26,660,139	28,124,580	14,182,145
Deferred Outflows of Resources	155,398	58,677	117,355
Liabilities:			
Current Liabilities	5,259,353	20,190,351	4,070,819
Bonds Payable	17,973,772	4,780,000	6,790,000
Long-term Debt	384,069	533,814	703,597
Other Liabilities	2,728,023	2,610,260	2,477,844
Pension Liability-ERS	157,340	-	-
Total Liabilities	26,502,557	28,114,425	14,042,260
Deferred Inflows of Resources	16,326	-	-
Net Position	$ 296,654	$ 257,240	$ (144,994)

A summary of revenues, expenses and changes in net position for the years ending 2015, 2014, and 2013, is presented below:

	2015	2014	2013
Total Operating Revenues	$ 12,658,801	$ 11,957,686	$ 11,553,149
Total Operating Expenses	11,491,425	11,453,257	10,875,853
Operating Income	1,167,376	504,429	677,296
Other Income (Expense)	(883,190)	(692,837)	(275,062)
Increase (Decrease) in Net Position	$ 284,186	(188,408)	$ 402,234

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 will provide landfill space for the long term (in excess of 50 years). The Authority issued BAN's in March 2014 to finance the construction of Cell 5 and ancillary facilities. In 2015, some of the bans where converted to EFC short term financing and the remainder of the bans converted to bonds. In 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 2105, 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 tests 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 is ongoing and is expected to be completed by the fall of 2015. The Authority expects to recover all costs associated with this 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 2015, 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 commencement of 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 4 is 5 acres in size and will be full in fiscal year 2016. Cell 5 will be available for use in the fall of fiscal year 2016.

Fig. 3 Deployment of GCL and liner

Fig. 4 RCAC fusing leachate pipes

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's estimated remaining capacity is about 20,000 tons or about 6 months at current usage rates of 72,000 tons per year. Cell 4 will be full in 2015. Construction of Cell 5 continues. We expect it to be operational in October 2015. We believe we will be able to manage the available airspace to meet our needs.

Equipment Replacement Fund ("ERF")

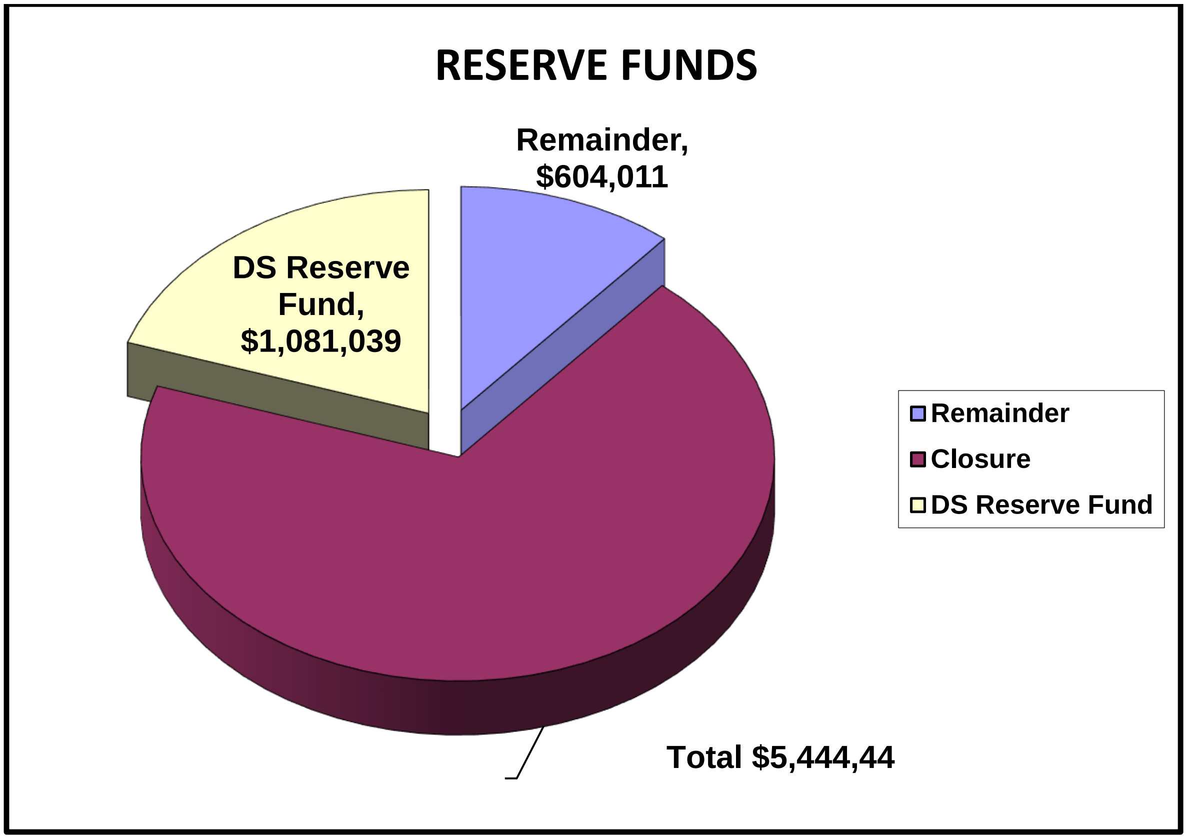
The ERF is funded to provide funds to replace or refurbish equipment and other physical assets of the Authority. Deposits are made to the ERF to meet current equipment payment costs. These deposits are reviewed annually in the Authority's budget process.

In 2015, the Authority added a JCB Telehandler. A water truck and trucks for landfill transportation were acquired from Federal Property Assistance. A great way to supplement our landfill equipment requirements. 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 2015. 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, 2015, the balance held in the Debt Service Reserve Fund was $1,081,039 as 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 BAN"s where converted to short term EFC funding and the remainder converted to long term bonds. The Authority will convert the short term EFC funding to bonds in March 2016.

Additional information on the bonds payable may be found in Notes 5 and 6 – 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 7– Long-Term Debt of the notes to the financial statements on page 39 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 8 - Environmental and Closure Accrual for Landfill on page 40.

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 $267,000 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, 2015, the balance held in the Closure and Post Closure funds was approximately $3,760,000. The current closure balance is $1,644,709 which reflects the drawdown for the closure of Cell 2 and 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. The permitted capacity of Cell 4 is 425,000 cubic yards. Currently about 25,000 cu. yd. are available or about 6 months at the annual waste acceptance rate. The completion of cell 5 in October 2015 will give us 525,000 cubic yards of capacity or about 6 years of life.

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. The first phase of the extension consists of 3 cells about 8 acres each. Estimated capacity for this phase is 2,000,000 cu. yds. Construction of Cell 5 began in April 2014 and will be completed in the fall of 2015. The total build-out of Cells 5-7 will take place over an estimated 25 year period.

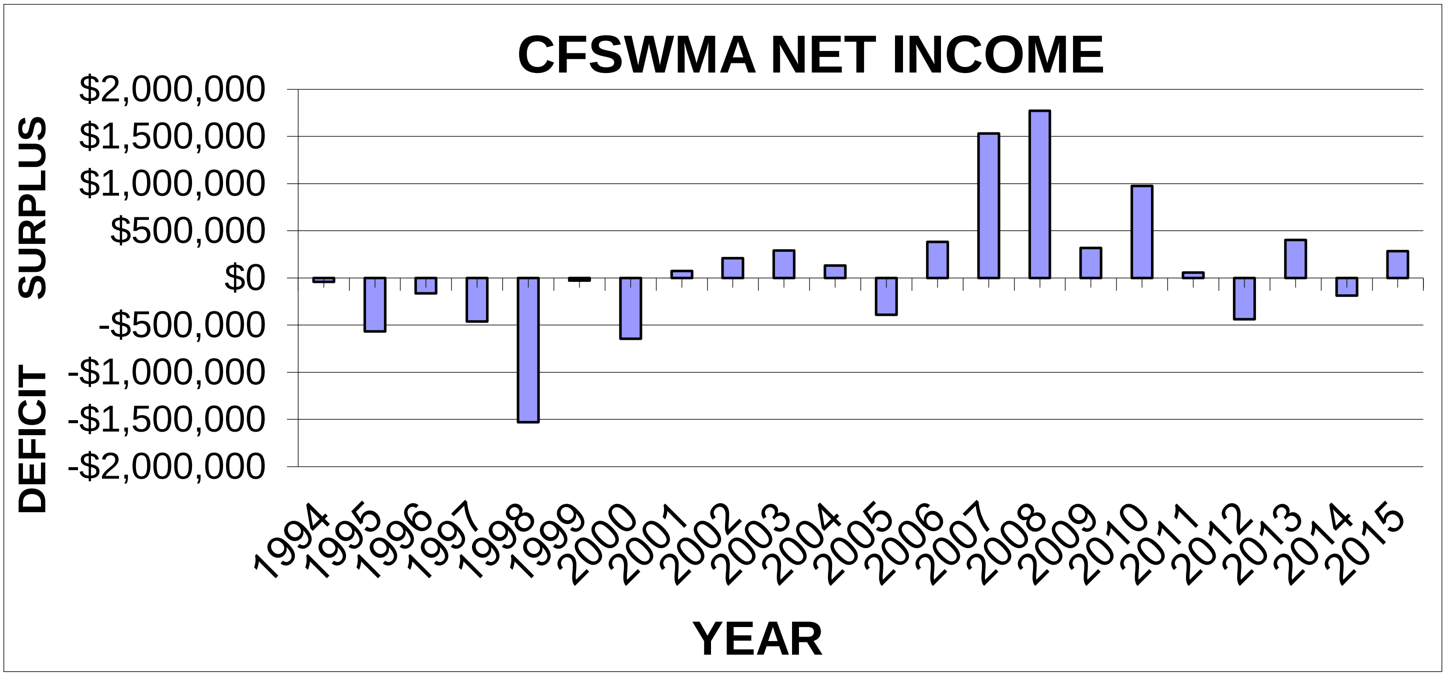
Future footprint extensions on the 145 acre footprint will take place as required.

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 Concrete pour over installed radiant heating

Fig. 6 Concrete pour of maintenance building floors.



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		

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 Installing 2 feet of stone over primary liner and leachate pipes.

Fig. 8 Installation of plank flooring for the second story.

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 **2015** **fiscal** years:

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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
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
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	50,770	52,489
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
ARRA[1]	13,489	12,340	16,599	12,701	4,251	13,083	1,272	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
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
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**	**78,366**	**77,311**

[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	NA
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 $1,167,376. Since 2000, management has been able to show positive results twelve out of fifteen years. Since 2005, we have changed the operating deficit of $(5,454,144) to a current surplus of $296,654.

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.

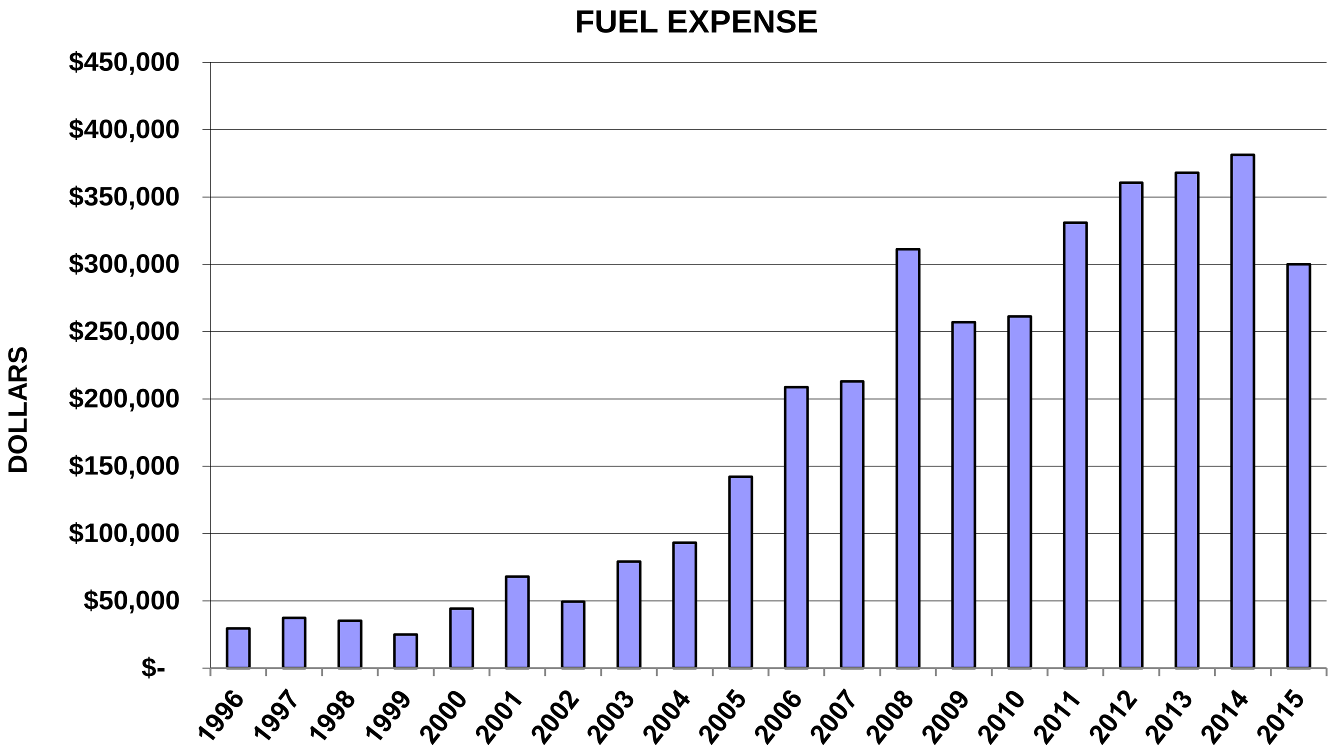
In 2006, the Authority instituted graduated tipping fees at the transfer stations which improved cash flow. Total tonnages handled at the transfer stations remained stable after the price increase. The Authority annually reviews its tipping fees. In 2011, we increased the graduated tipping fees. This is 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 the completion of Cell 5 we expect find other revenue sources which will have a positive impact on our operating results.

Fig. 9 Onsite clay excavation

Fig. 10 Cell 1 and 5 tie-in being covered with 2 feet of stone.


FUEL EXPENSE
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
DOLLARS
1996
1997
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2011
2012
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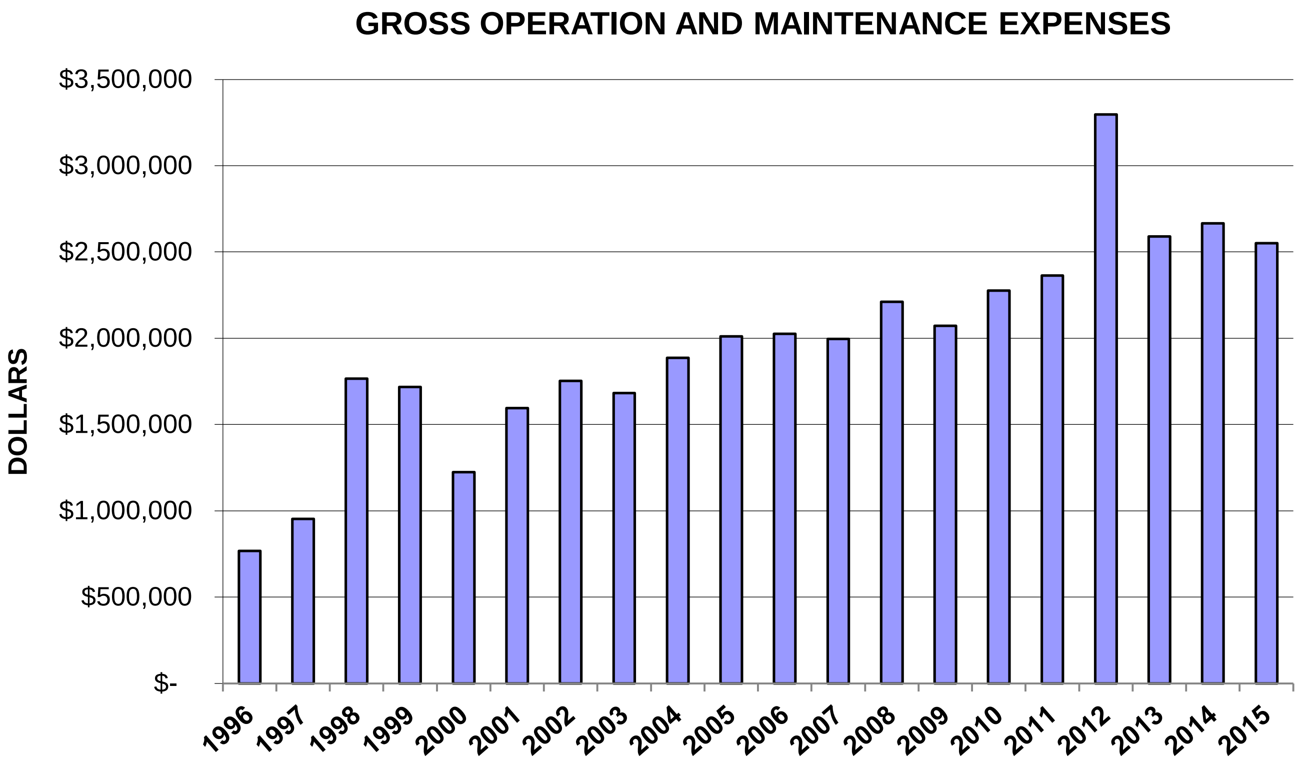
2014
2015



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 competed 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.

Fig. 11 Placing topsoil along with dirt berm separating Cell 5 from Cell 6.

Fig. 12 Completing Cell 1 and Cell 5 tie-in with view of new maintenance building.

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 177,100	$ 68,223
Accounts and Grants Receivable	397,551	602,781
Prepaid Expenses	60,019	55,623
Total Current Assets	634,670	726,627
Restricted Assets:		
Cash and Cash Equivalents - Restricted	7,997,870	18,314,415
Investments - Restricted	-	24,200
Accrued Interest on Restricted Bonds	-	160
Total Restricted Assets	7,997,870	18,338,775
Noncurrent Assets:		
Property, Plant, and Equipment		
Land Improvements	2,040,041	2,040,041
Landfill Cell	13,441,158	13,441,158
Buildings	3,000,658	3,000,658
Machinery, Equipment, Vehicles	4,061,931	3,925,865
	22,543,788	22,407,722
Less Accumulated Depreciation	(21,423,744)	(20,119,018)
	1,120,044	2,288,704
Land	2,064,979	2,064,979
Construction in Progress	13,388,831	2,891,161
Net Property, Plant, and Equipment	16,573,854	7,244,844
Other Assets		
Capitalized Engineering and Cell Expansion Costs	5,229,053	5,331,412
Less Accumulated Amortization	(3,775,308)	(3,517,078)
Total Other Assets	1,453,745	1,814,334
Total Noncurrent Assets	18,027,599	9,059,178
Total Assets	26,660,139	28,124,580
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow on Bond Refunding	-	58,677
Deferred Outflow on ERS Pension	155,398	-
Total Deferred Outflows of Resources	$ 155,398	$ 58,677

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

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014
(CONTINUED)

	2015	2014
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 3,836,830	$ 2,365,105
Accrued Interest Payable	100,202	62,384
Retainage Payable	594,551	113,249
Bond Anticipation Note Payable	-	15,450,000
Current Installments of Bonds Payable	515,000	2,010,000
Current Installments of Long-term Debt	212,770	189,613
Total Current Liabilities	5,259,353	20,190,351
Noncurrent Liabilities:		
Bonds Payable - Less Current Installments	17,973,772	4,780,000
Long-term Debt - Less Current Installments	384,069	533,814
Environmental and Closure Accrual for Landfill	2,728,023	2,610,260
Pension Liability - ERS	157,340	-
Total Noncurrent Liabilities	21,243,204	7,924,074
Total Liabilities	26,502,557	28,114,425
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on ERS Pension	16,326	-
Total Deferred Inflows of Resources	16,326	-
NET POSITION		
Unrestricted	296,654	68,832
Total Net Position	$ 296,654	$ 68,832

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, 2015 AND 2014

	2015	2014
Operating Revenues:		
Solid Waste Fees	$ 5,753,602	$ 5,321,797
Recycling Fees	99,769	91,827
Service Fees - Franklin County	6,798,668	6,526,250
Miscellaneous Income	6,762	17,812
Total Operating Revenues	12,658,801	11,957,686
Operating Expenses:		
Operations and Maintenance	2,575,296	2,665,540
General and Administration	495,827	478,952
Depreciation	1,304,725	1,550,608
Amortization	316,909	231,907
Service Fees - Franklin County	6,798,668	6,526,250
Total Operating Expenses	11,491,425	11,453,257
Operating Income:	1,167,376	504,429
Nonoperating Revenues (Expenses):		
Interest Income	1,175	1,321
Bond Issuance Costs	(444,050)	(277,722)
Interest Expense	(440,315)	(416,436)
Total Nonoperating Revenues (Expenses)	(883,190)	(692,837)
Change in Net Position	284,186	(188,408)
Net Position - Beginning of Year as Previously Stated	68,832	257,240
Restatement - Change in Accounting (Note 12)	(56,364)	-
Net Position - Beginning of Year Restated	12,468	257,240
Net Position - End of Year	$ 296,654	$ 68,832

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, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Cash Received from Customers	$ 6,065,363	$ 5,277,834
Payments to Suppliers	(1,670,498)	(1,422,435)
Payments to Employees for Salaries and Benefits	(1,790,147)	(1,731,298)
Net Cash Provided by Operating Activities	2,604,719	2,124,101
Cash Flows from Noncapital Financing Activities		
Cash Payments from Franklin County	6,798,668	6,526,250
Cash Payments to Franklin County	(6,680,475)	(6,479,017)
Net Cash Provided by Noncapital Financing activities	118,193	47,233
Cash Flows from Capital and Related Financing Activities		
Principal Repayments	(17,686,568)	(2,785,982)
Interest Paid	(402,497)	(388,283)
Acquisition and Construction of Capital Assets	(8,358,399)	(1,739,185)
Proceeds from Bond Premium	126,647	-
Payments for Debt Issuance Costs	(444,050)	(277,722)
Proceeds from Issuing Debt	13,808,752	15,234,028
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,956,115)	10,042,856
Cash Flows from Investing Activities		
Interest Received on Deposits and Cash Equivalents	1,335	1,321
Redemption of Restricted Investments	24,200	-
Net Cash Provided by Investing Activities	25,535	1,321
Net Increase (Decrease) in Cash and Cash Equivalents	(10,207,668)	12,215,511
Cash and Cash Equivalents - Beginning of Year	18,382,638	6,167,127
Cash and Cash Equivalents - End of Year	$ 8,174,970	$ 18,382,638

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, 2015 AND 2014
(CONTINUED)

	2015	2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 1,167,376	$ 504,429
Adjustments to Reconcile Operating Income to Net Cash provided by operating activities:		
Depreciation	1,304,725	1,550,608
Amortization	316,909	231,907
Bad Debt Expense	-	-
Change in Deferred Outflow on ERS Pension	(1,299)	-
Change in Pension Liability ERS & Deferred Inflow	(36,797)	-
Changes in Operating Assets - (Increase) Decrease		
Accounts and Grants Receivable	205,230	(153,602)
Prepaid Expenses	(4,396)	(176)
Changes in Operating Liabilities - Increase (Decrease)		
Accounts Payable and Accrued Liabilities	(464,792)	(141,481)
Environmental Closure Accrual	117,763	132,416
Net Cash Provided by Operating Activities	$ 2,604,719	$ 2,124,101

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 using the accrual basis in accordance with generally accepted accounting principles for proprietary funds, which are similar to those of private business enterprises. The Authority follows the guidance provided by Financial Accounting Standards Board (FASB) Statements, except for those that conflict with or contradict GASB pronouncements. 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 is 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 and 2014 of $3,008,892 and $12,537,745, respectively that were not collateralized.

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 $3,759,354 and $2,571,238 at June 30, 2015 and 2014, 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 - INVESTMENTS - RESTRICTED

A summary of the Authority's restricted investments is as follows:

At June 30, 2015:	Face Value	Unamortized Premium (Discount)	Total	Fair Market Value
None	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -

At June 30, 2014:	Face Value	Unamortized Premium (Discount)	Total	Fair Market Value
US Treasury bill	$ 24,200	$ -	$ 24,200	$ 24,200
	$ 24,200	$ -	$ 24,200	$ 24,200

NOTE 3 - 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, 2015 and 2014, is as follows:

	2015	2014
Construction and engineering costs	$ 3,130,013	$ 3,130,013
Discount on bonds payable	354,152	354,152
Premium on bonds payable	(280,175)	(153,528)
Ton increase costs	83,648	83,648
Expansion increased costs	1,941,415	1,917,127
	$ 5,229,053	$ 5,331,412

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 $253,572 and $156,501 for the years ended June 30, 2015 and 2014, respectively. Amortization associated with discounts and premium on bonds payable, was $4,660 and $16,728 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 - DEFERRED AMOUNT OF BOND REFUNDING/DEFEASANCE

Capitalized costs relate to bond refunding or defeasance at June 30, 2015 and 2014, is as follows:

	2015	2014
Deferred amount on defeased 1993 bond	$ 704,135	$ 704,135
Less: Accumulated amortization	(704,135)	(645,458)
Net Deferred Amount of Bond Refunding/Defeasance	$ -	$ 58,677

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 written off as of June 30, 2015. Amortization associated with bonds defeasance was $58,677 and $58,678 for the years ended June 30, 2015 and 2014, respectively.

NOTE 5 - REVENUE BOND ANTICIPATION NOTES PAYABLE

A summary of the Authority's revenue bond anticipation notes payable is as follows:

	2015	2014
Solid Waste System Revenue Bond Anticipation Notes 2014, issued April 3, 2014 to finance capital costs of the construction of a new Cell 5 and expansion. Bearing interest at 1.00% per annum, matures on March 31, 2015.	$ -	$ 15,450,000

NOTE 6 - BONDS PAYABLE

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

	2015	2014
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.	$ 170,000	$ 335,000
Water Pollution Control Revolving Fund Revenue Bonds, Series 1995A. Interest payable semiannually at 2.01% to 2.89%, principal installments of $345,000 through $550,000, payable annually on May 15th through 2015.	-	550,000
Solid Waste System Revenue Refunding Bonds Series 2003 A. Interest payable semiannually at 3.0% to 4.375%, principal installments of $555,000 through $1,095,000, payable annually on June 1st through 2015.	-	1,095,000
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.	4,610,000	4,810,000
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.	5,158,772	-

NOTE 6 - BONDS PAYABLE (continued)

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

	2015	2014
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.	8,550,000	-
	$ 18,488,772	$ 6,790,000
Less: current installments	(515,000)	(2,010,000)
	$ 17,973,772	$ 4,780,000

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, 2015 and 2014, $170,000 and $1,430,000 in bonds outstanding are considered defeased.

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
2016	$ 515,000	$ 595,640
2017	5,578,772	522,325
2018	430,000	510,025
2019	445,000	492,825
2020	460,000	474,975
2021-2025	2,605,000	2,066,425
2026-2030	3,250,000	1,424,000
2031-2035	2,750,000	783,800
2035-2040	2,455,000	302,200
	$ 18,488,772	$ 7,172,215

Interest expense on the above indebtedness was $485,331 and $467,593 for the years ended June 30, 2015 and 2014, respectively, when bond related amortization costs are included. Interest paid was $402,497 and $364,034 for the years ended June 30, 2015 and 2014, respectively.

NOTE 7 - LONG-TERM DEBT

Long-term debt is summarized below:

	2015	2014
First Niagara Leasing, Inc. capital lease payable in semiannual installments of $4,723 including interest at 3.20%, due June 2018, secured by equipment.	$ 26,816	$ 35,202
First Niagara, installment loan payable in semiannual installments of $16,355 including interest at 3.124%, due January 2016, secured by equipment.	16,103	47,570
BNP Paribus, capital lease payable in semiannual installments of $10,004 including interest at 2.717%, due August 2017, secured by equipment.	48,042	66,370
Caterpillar Financial Services, capital lease payable in semiannual installments of $35,976 including interest at 2.635%, due August 2017, secured by equipment.	172,982	239,065
Caterpillar Financial Services, capital lease payable in semiannual installments of $43,901 including interest at 2.095%, due February 2018, secured by equipment.	254,015	335,220
First Niagara Leasing, Inc. capital lease payable in annual installments of $21,099 including interest at 2.76%, due March 2019, secured by equipment.	78,881	-
	596,839	723,427
Less: current portion	(213,262)	(189,613)
	$ 383,577	$ 533,814

Interest expense incurred and paid on the above indebtedness was $18,320 and $24,249 for the years ended June 30, 2015 and 2014, respectively.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2015, is as follows:

For the year ending June 30,	2016	$ 213,262
	2017	202,020
	2018	161,024
	2019	20,533
		$ 596,839

NOTE 8 - 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, 2015, based on existing operating cell capacity is as follows:

Total landfill capacity		1,598,933	cubic yards
Total landfill capacity used through June 30, 2015		1,612,243	cubic yards
Percentage of total landfill capacity		100.83%	
Estimated closure and post-closure costs	$	4,596,580	
Environmental and closure accrual	$	2,728,023	
Anticipated closure date		2064	

NOTE 9 - 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.

NOTE 9 - RETIREMENT PLAN (continued)

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:

2015	$ 219,546
2014	158,423
2013	173,237

The employer contribution rates for the plan's year ending in 2015 are as follows:

Tier/Plan	Rate
3 A15	20.4%
4 A15	20.4%
5 A15	16.7%
6 A15	11.0%

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 FY15 the Authority paid the full contribution of $219,546.

NOTE 9 - RETIREMENT PLAN (continued)

A summary of the Authority's future annual minimum maturities of the amortization at June 30, 2015, is as follows:

		Principal	Interest	Total
For the year ending June 30,	2016	$ 9,150	$ 2,920	$ 12,070
	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
	2021-2024	38,637	3,008	41,645
		$ 87,521	$ 14,474	$ 101,995

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

At June 30, 2015, the *County of Franklin Solid Waste Management Authority* reported a liability of $157,340 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, 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, 2015, the *County of Franklin Solid Waste Management Authority*'s proportion was 0.0046574 percent. For this first year of implementation, the ERS reported no change in the allocation percentage measured as of March 31, 2014.

For the year ended June 30, 2015, the County of Franklin Solid Waste Management Authority recognized pension expense of $138,313. At June 30, 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:

	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 9 - RETIREMENT PLAN (continued)

The *County of Franklin Solid Waste Management Authority*'s had $123,033 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 year ended June 30, 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	$	4,010
2017		4,010
2018		4,010
2019		4,009
2020		-
Thereafter		-

Actuarial Assumptions
The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014. The actuarial valuation used the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Investment rate of return	7.5%	compounded annually, net of investment expenses including inflation
Actuarial cost method	Entry age normal	
Salary scale	4.9%	indexed by service
Cost of living adjustments	1.4%	annually
Inflation rate	2.7%	

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

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

NOTE 9 - 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, 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 7.5%. 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 9 - 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 7.5 percent, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	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, 2015 measurement date were as follows:

Total pension liability	$ 164,591,504,000
ERS fiduciary net position	161,213,259,000
Employers' net pension liability	$ 3,378,245,000
ERS fiduciary net position as a Percentage of total pension liability	97.9%

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, 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. Accrued retirement contributions to ERS as of June 30, 2015 were $123,033.

NOTE 10 - 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, 2015 and 2014 total $6,798,668 and $6,526,250 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, 2015 and 2014, $6,798,668 and $6,526,250, respectively. The Authority owed Franklin County $659,551 and $541,077 at June 30, 2015 and 2014, 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.

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

During the year ended June 30, 2015 the Authority recognized positive cash flows from operating activities of $2,604,719. Management is continuing to find means to ensure that future cash flows from operating activities will be sufficient to allow the Authority to meet its operating costs, debt service, and intended capital improvement programs if current contracts continue. Furthermore, the Authority should continue as a going concern based on its Services Agreement with the County, as discussed previously, in which the Authority's future debt service and operation and maintenance costs are guaranteed by the County as described in the Authority's bond documents.

The Authority has commitments to contractors for the Cell 5 construction project at June 30, 2015 totaling $1,986,709. Retainage in the amount of $594,551 was held at June 30, 2015 and is reflected as a liability.

NOTE 11 - 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 12 - 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 13 - SUBSEQUENT EVENTS

The Authority has evaluated events and transactions that occurred between June 30, 2015 and September 24, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

SUPPLEMENTAL SCHEDULES

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015		2014	
	Operations & Maintenance	**General & Administration**	**Operations & Maintenance**	**General & Administration**
Salaries, Wages, and Compensated Absences	$ 904,260	$ 193,899	$ 975,032	$ 205,485
Board Expenses	-	1,246	-	302
Host Community Benefits	-	62,771	-	60,015
Payroll Taxes and Employee Benefits	553,955	61,176	568,136	68,678
Environmental and Closure	156,206	-	177,352	-
Environmental Monitoring	65,039	-	30,013	-
Fuel	300,119	-	381,212	-
Insurance	70,608	52,498	70,503	56,739
Leachate Disposal	3,801	-	5,310	-
Waste Disposal	5,100	-	4,300	-
Miscellaneous Equipment	113,398	-	97,280	-
Office	3,588	10,798	4,622	10,071
Other Contractual Services	6,784	-	2,646	-
Professional Fees	4,763	57,160	6,950	16,055
Recycling	25,830	-	6,471	-
Repairs and Maintenance	201,606	25,534	183,738	19,921
Supplies	68,312	-	66,635	-
Telephone	8,570	4,848	8,127	5,008
Travel and Conference	2,807	5,009	4,285	10,286
Trustee Costs	-	13,245	-	12,250
Utilities	77,130	2,280	69,187	985
Miscellaneous	3,420	5,363	3,741	13,157
	$ 2,575,296	$ 495,827	$ 2,665,540	$ 478,952

See paragraph on supplemental schedules included in auditors' report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
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, 2015, 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 September 24, 2015.

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 2015-001.

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 deficiency described in the accompanying comments to management to be a significant deficiency, as item 2015-002.

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 2015-003.

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.

September 24, 2015
Watertown, New York

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

2015-001: 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. In the prior year there were material adjustments for unrecorded accounts payables for services provided and goods delivered for the Cell 5 construction and expansion projects. The adjustment were properly made to the general ledger and the books closed for the year. In fiscal year 2015 these adjustments needed to be reversed at the beginning of the year because the transaction were already recorded through the accounts payable system. The reversal was never made causing the Authority's accounts payable to be overstated for the entire year. 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: Management has implemented procedures to monitor expenses that are outstanding and unbilled for all capital projects and review potential liabilities during the year and at year end.

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

2015-002: 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.

2015-002: Segregation of Duties (continued)

Management's Response: Purchases are made by supervisors. The secretary verifies that the invoices coincide with vendors statements and prepares vouchers. Normally, after vouchers are verified and signed by the Chairman of the Board, the secretary prints the checks. The Executive Director reviews the signed vouchers and signs the checks. In the absence of the Executive Director, the Treasurer, has authority to sign checks. The Executive Director opens the monthly bank statements, reviews the signatures on the canceled checks then initials the bank statement. The Treasurer also reviews the operating account’s statement. An important control the Authority has is liability insurance in the amount of $100,000 per employee.

The following item is considered an instance of noncompliance.

2015-003: Collateralization of Cash Deposits

Condition and Criteria: 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 (FDIC). There were deposits exceeding FDIC insurance at June 30, 2015 of $3,008,892 that were not collateralized.

Recommendation: We recommend that the Authority monitor and verify cash and investment balances to determine that the financial interests of the Authority are adequately protected. Deposits exceeding FDIC insurance limits should be transferred to accounts with sufficient collateral coverage. The Authority can use U.S. Treasury money market accounts to hold the funds required to meet the bond reserve requirements as it currently stands regular money market accounts are being used that must be collateralized.

Management's Response: Management will monitor cash balances during the year and ensure the proper collateralization of deposits.