COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY

REPORT ON AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014 and 2013

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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, 2014 and 2013, 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.

Auditor's 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, 2014 and 2013, 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2014 the County of Franklin Solid Waste Management Authority adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. 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 4–25 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 16, 2014, 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.

September 16, 2014

COUNTY OF FRANKLIN SOLID WASTE

MANAGEMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS

CFSWMA LANDFILL SITE SEPTEMBER 2014

BUILDING FOR THE FUTURE

THE AUTHORITY BOARD MEMBERS

Henry Travers, Chairman

Greg Paye, Vice Chairman

Tom MacDonald, Treasurer

Richard Shapiro

Tim "Guy" Smith

David Rhodes

Dean Lefebvre

Executive Director

George Eades, eng.

Secretary to the Board/Vice-Treasurer

Corinne Fitzpatrick

GENERAL COUNSEL

Brian Stewart

ACCOUNTANT

Crowley & Halloran, CPAs, PC

September 16, 2014

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, 2014, 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, 2014, 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, 2014 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' report.

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 an agreement 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.

The Authority completed land acquisition for the anticipated 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 has begun and is scheduled for completion in November 2014.

The Authority has funding in place to complete payments of all bonds associated with the initial four cells and three transfer stations in 2015. The authority now owns more than 1000 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 100 years at current usage rates. Its total outstanding debt is less than the original financing in 1993 with a much better interest rate.

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. Since 2006, the Authority's auditor has been the firm Seyfarth and Seyfarth CPAs, of Malone, New York. The firm Crowley & Halloran, CPAs, P.C. of Watertown NY has completed the annual audits since June 2012.

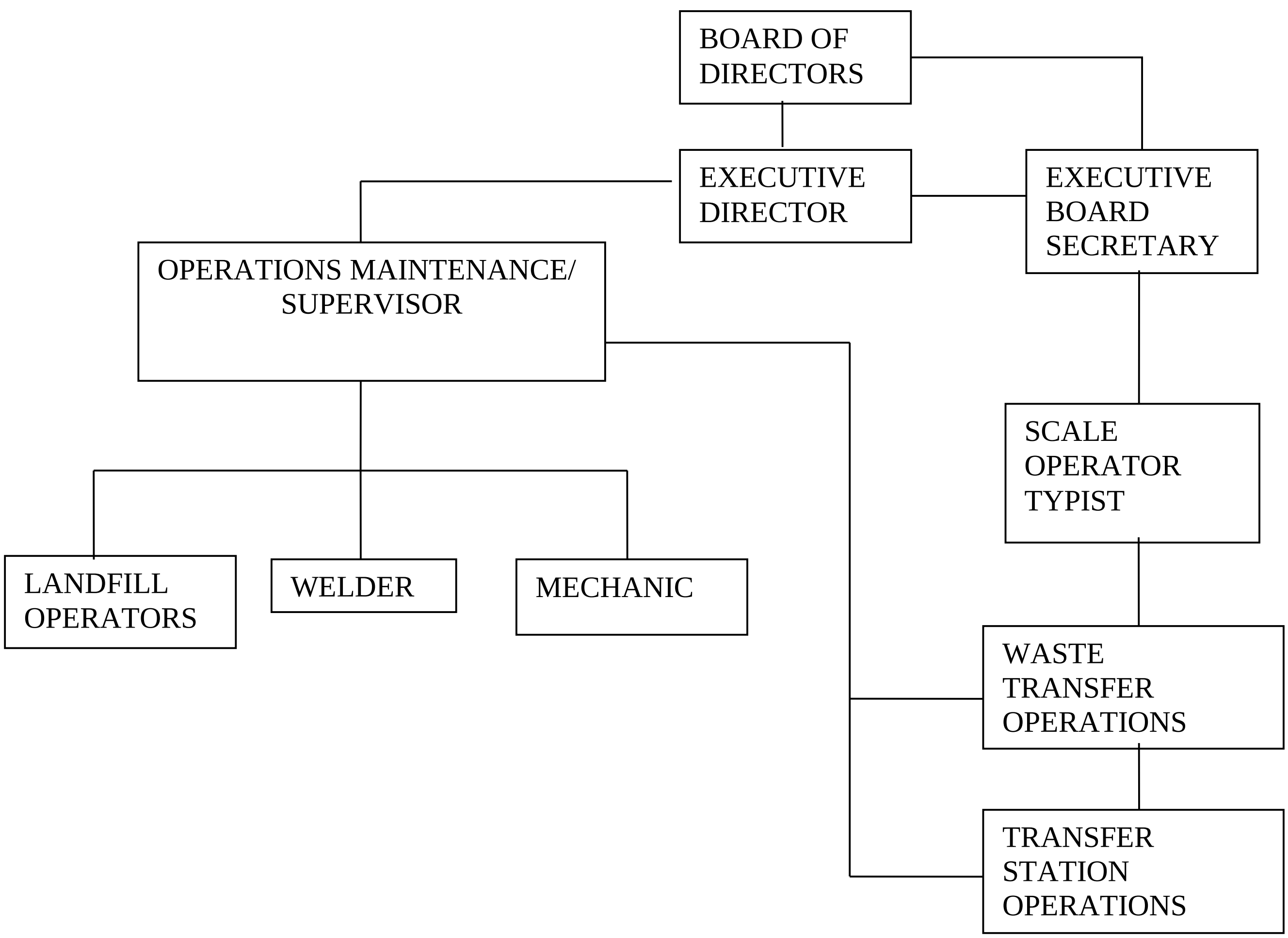
Acknowledgements

The help of staff and our certified public accountants is gratefully acknowledged. Thanks to Corinne Fitzpatrick and Helen Sullivan in their help throughout the year.

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, 2014. 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 2014, the Authority received a little less MSW but more BUD material than 2013. 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 fund balance 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, this 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 will be less than 2014. We anticipate an improvement in net position in 2015.

The capital assets of the Authority after depreciation, include land, buildings and equipment in the amount of $7,244,844. All investments, restricted cash and cash equivalents, and accrued interest on restricted bonds amount to $ 18,338,775. The changes from 2013 reflect borrowing and construction in progress for the new cell and buildings.

In 2014, the Authority's expenses exceeded its revenues by $188,408. This is a significant change over last year's results. The change is due to a decrease in interest revenue of $202,623; and expensing of 2014 bond issuance costs of $277,722 due to changes in accounting regulations. The latter two expenses are onetime costs. Management increased tipping fees in April 2014, in anticipation of some of these added expenses Management continues to aggressively price beneficial use materials. We try to receive the optimum price, while ensuring that materials are not shipped to our competitors due to a significant price differential.

In March 2014, the Authority issued BANS for $15,450,000 to construct Cell 5, pump house, force mains, leachate tank, shop and offices. The Authority will refinance a portion of the BANS through EFC at a reduced interest rate and convert the remaining BANS to bond prior to March 2015.

The Authority was issued a permit to construct Cell 5 on January 28, 2014 by the DEC. 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 and is anticipated to be complete in November.

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 we will be renewed. In 2014, the Authority received 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 2014, the Authority received 10,000 tons of waste from Essex County.

The Authority's total liabilities increased in 2014 due to the issuance of BAN's for the purpose of constructing Cell 5 and ancillary facilities. The Authority has funds in place to complete payment of all bonds issued prior to 2012.

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 31 of this report.

FIG. **1** **Landfill looking south from above County Route 20. Platform in foreground pad for new shop and office. The new leachate tank has a white interior**

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 decreased $68,832 in the fiscal year 2014. A condensed summary of the Authority's net position for fiscal years 2014, 2013, and 2012, is presented below.

Assets:	2014	2013	2012
Current Assets	$ 726,627	$ 637,184	$ 712,627
Investments and Restricted Assets	18,338,775	6,058,929	8,583,166
Other Assets	1,814,334	1,686,132	1,567,386
Capital Assets	7,244,844	5,799,900	4,673,561
Total Assets	28,124,580	14,182,145	15,536,740
Deferred Outflows of Resources	58,677	117,355	176,033
Liabilities:			
Current Liabilities	$ 20,190,351	$ 4,070,819	$ 3,835,468
Bonds Payable	4,780,000	6,790,000	9,620,000
Long-term Debt	533,814	703,597	92,930
Other Liabilities	2,610,260	2,477,844	2,309,369
Total Liabilities	28,114,425	14,042,260	15,857,767
Net Position	68,832	257,240	(144,994)
Total Liabilities and Net Position	$ 28,183,257	$ 14,299,500	$ 15,712,773

A summary of revenues, expenses and changes in net position for the years ending 2014, 2013, and 2012, is presented below:

	2014	2013	2012
Total Operating Revenues	$ 11,957,686	$ 11,553,149	$ 11,415,594
Total Operating Expenses	11,453,257	10,875,853	11,310,458
Operating Income	504,429	677,296	105,136
Other Income (Expense)	(692,837)	(275,062)	(541,943)
Increase (Decrease) in Net Position	$ (188,408)	$ 402,234	$ (436,807)

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.

The Authority has the long-term objective of accumulating funds to meet all future cell expansion, closure and post-closure requirements from annual revenues. We believe that we will meet this objective moving forward

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 solid waste management plan included a 15 year plan which allowed for an increase in permitted tonnage and an enlarged footprint to accommodate the increase in tonnage limits. The increase in tonnage was also 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 now has a long term plan which allows for the development of 145 acres of landfill over the next 100 years.

The adoption of the final EIS allows 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 and a permit issued for construction of cell five and the future construction of cells 6 and 7. Construction of Cell 5 began in April 2014 and is expected to be completed by the fall of 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority continues to invest in capital assets. During the fiscal year 2014, 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 on Cell 5.

In 2014, a 3/4 ton Ford was purchased to replace our old pickup which was 12 years old.

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 2015. We anticipate Cell 5 will be available for use in fiscal year 2015.

Fig. 2 Arrival of Feller Buncher **Fig. 3 Chipper set to chip 20 acres**

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 80,000 tons or about 1 year at current usage rate of 72,000 tons per year. Cell 4 will be full in 2015. Cell 5 is under construction and we expect it to be open in November 2014. This is less lead time than we prefer but we believe we will be able to manage the available airspace to meet our needs.

Equipment Replacement Fund ("ERF")

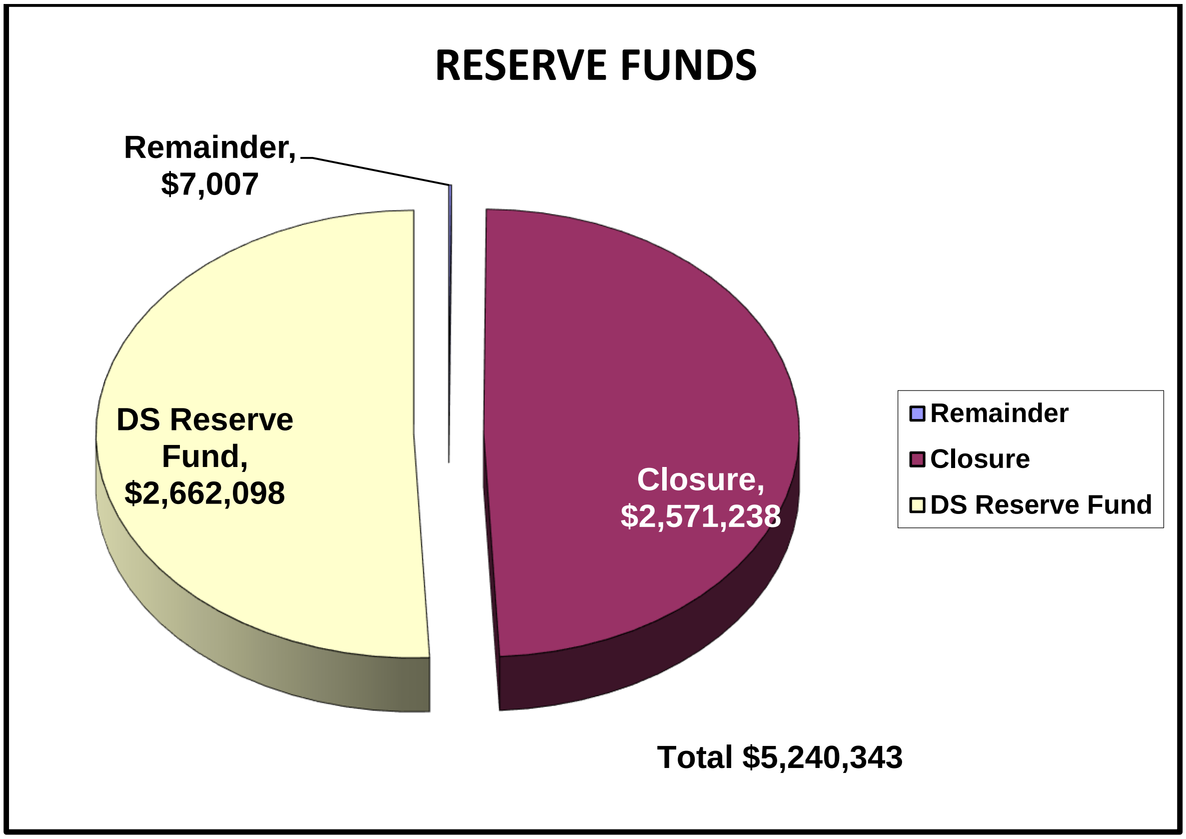
The ERF is funded to provide funds to replace or refurbish equipment and other physical assets of the Authority. Deposits are made to the ERF to meet current equipment payment costs. These deposits are reviewed annually in the Authority's budget process.

This year the Authority did not acquire any new heavy equipment. A new pickup was added to the fleet. In 2013, we acquired a new Caterpillar D6N in March of this year. 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. In 2012 we acquired some equipment from Federal Property Assistance. 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, 2014, the balance held in the Debt Service Reserve Fund was $2,662,098 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.

We issued $ 15,450,000 in BAN's in March 2014, for the construction of Cell 5 and ancillary facilities.

Additional information on the bonds payable may be found in Notes 5 and 6 – Bans and Bonds Payable of the notes to the financial statements starting on page 35 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 36 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 37.

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 $254,000 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, 2014, the balance held in the Closure and Post Closure funds was approximately $2,571,238. The current closure balance is $1,541,579 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 2016 or 2017.

As of June 30, 2013, the balance held in the Closure and Post Closure funds was approximately $1,852,407. The current closure balance is $1,409,424 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 2016 or 2017.

As of June 30, 2012, the balance held in the Closure and Post Closure funds was approximately $1,921,322.

HISTORICAL AND STATISTICAL DATA

Capacity

Existing Capacity. The permitted capacity of Cell 4 is 425,000 cubic yards. Currently about 80,000 cu. yd. are available or about 1 years at the annual waste acceptance rate.

Permitted and potential Capacity. The Authority adopted a Final Environmental Impact Statement on February 26, 2009 for the proposed 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 about 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 l began in April 2014 with expected completion in the fall of 2014. The total build-out of Cells 5-7 will take place over an estimated 25 year period.

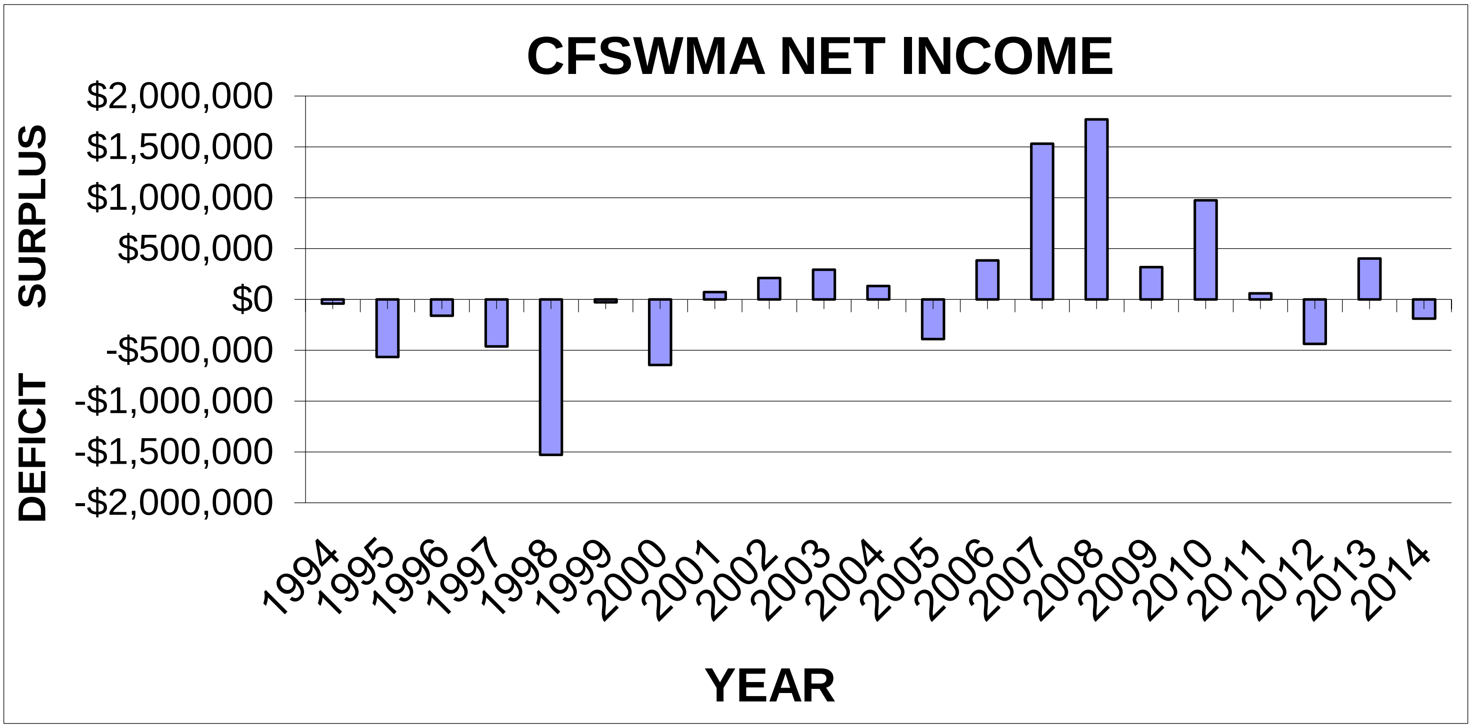
Future footprint extensions on the 145 acre footprint will take place as required.

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. This has resulted in significant cost savings. All transfer stations have permits issued by the New York State Department of Environmental Conservation ("DEC").

Fig. 4 Clear cut complete excavation underway for Cell 5

Fig. 5 Excavation proceeding full speed ahead



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)**			

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. 6 Change of glacial till From brown stage to Gray stage

Fig. 7 Dismantling and sealing ground water monitoring well located in Cell 5

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 **2000** through **2014** **fiscal** years:

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
MSW															
Franklin County	21,964	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
Out-of-County	22,848	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
TOTAL	44,812	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
BUD															
Franklin County	8,724	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
ARRA[1]	17,615	13,489	12,340	16,599	12,701	4,251	13,083	1,272	0	0	0	0	0	0	0
Other	3,323	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
TOTAL	29,662	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
TOTAL TONS	**74,474**	**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**

[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 $504,429. 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 $68,832.

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.

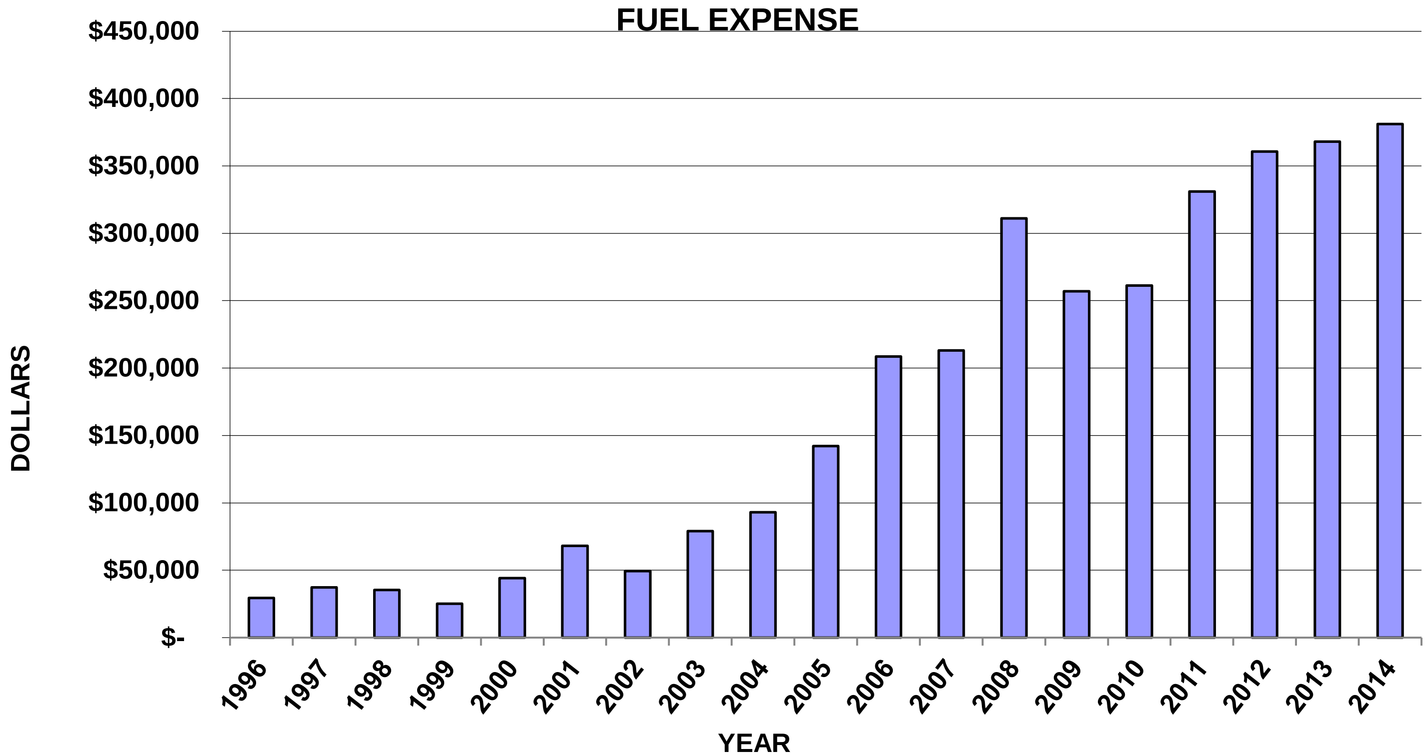
In 2006, the Authority instituted graduated tipping fees at the transfer stations which improved cash flow. Total tonnages handled at the transfer stations remained stable after the price increase. The Authority annually reviews its tipping fees. In 2011, we increased the graduated tipping fees. This 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.

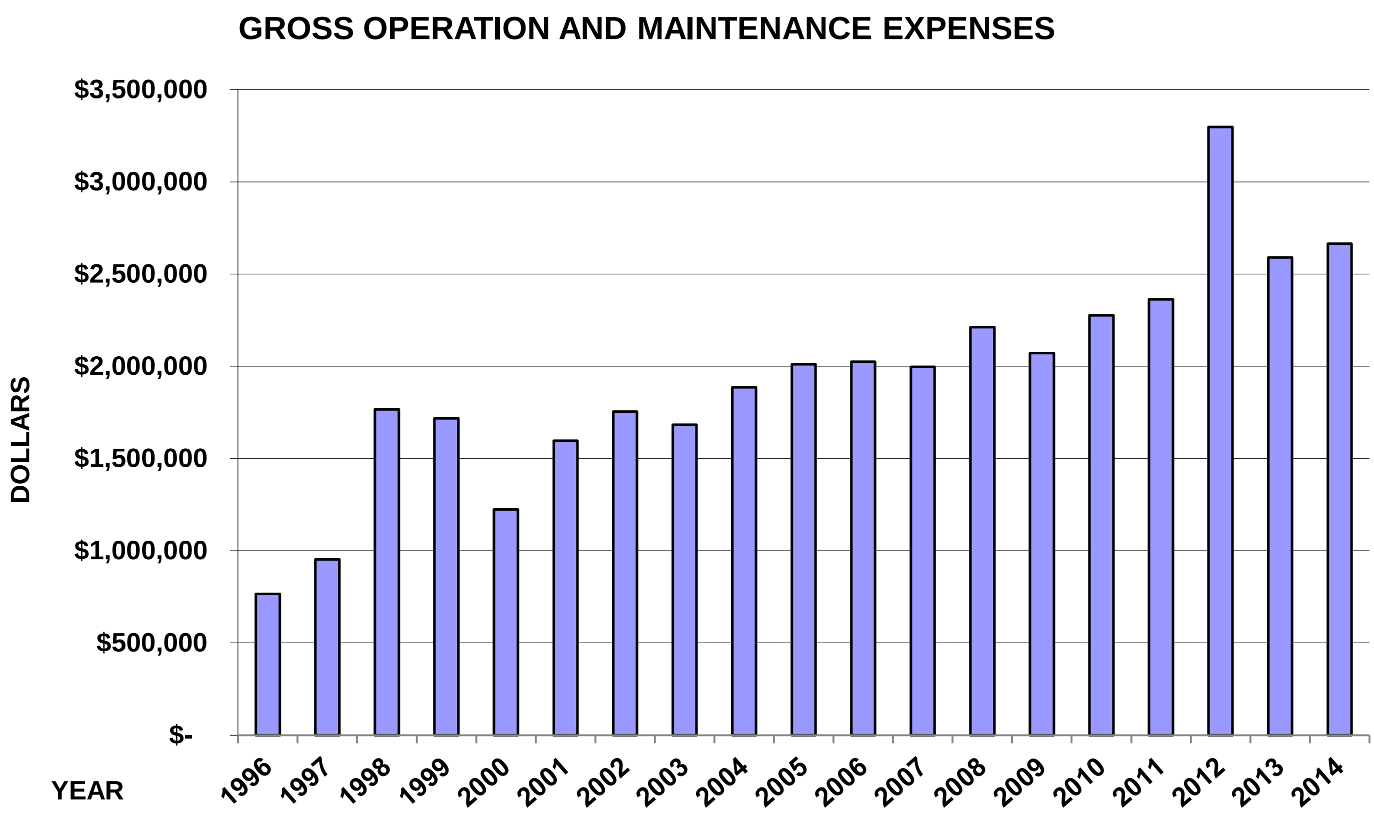
An increase in permitted tonnage in 2006 has allowed for better management of MSW and BUD materials which have enhanced cash flow. In 2011, we closed the Malone transfer station on Thursdays and the regional landfill on Saturday. We realized substantial cost savings with this change. We began receiving 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. We hope to continue to find other revenue sources which will have a positive impact on our operating results.

Fig. 8 On site clay excavation

Fig. 9 First load of clay
On geocomposite Cell 5


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


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

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 2104, 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. 10 Placing formwork
For foundation of
New leachate
tank

Fig. 11 Salvaging waste
Rock from cell 5
For future crushing
And road building

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 68,223	$ 132,558
Accounts and Grants Receivable	602,781	449,179
Prepaid Expenses	55,623	55,447
Total Current Assets	726,627	637,184
Restricted Assets:		
Cash and Cash Equivalents - Restricted	18,314,415	6,034,569
Investments - Restricted	24,200	24,200
Accrued Interest on Restricted Bonds	160	160
Total Restricted Assets	18,338,775	6,058,929
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	3,925,865	3,821,475
	22,407,722	22,303,332
Less Accumulated Depreciation	(20,119,018)	(18,568,411)
	2,288,704	3,734,921
Land	2,064,979	2,064,979
Construction in Progress	2,891,161	-
Net Property, Plant, and Equipment	7,244,844	5,799,900
Other Assets		
Capitalized Engineering and Cell Expansion Costs	5,331,412	5,029,981
Less Accumulated Amortization	(3,517,078)	(3,343,849)
Total Other Assets	1,814,334	1,686,132
Total Noncurrent Assets	9,059,178	7,486,032
Total Assets	28,124,580	14,182,145
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Bond Refunding	58,677	117,355
Total Deferred Outflows of Resources	$ 58,677	$ 117,355

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

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013
(CONTINUED)

	2014	2013
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 2,365,105	$ 1,014,804
Accrued Interest Payable	62,384	34,231
Retainage Payable	113,249	-
Bond Anticipation Note Payable	15,450,000	-
Current Installments of Bonds Payable	2,010,000	2,830,000
Current Installments of Long-term Debt	189,613	191,784
Total Current Liabilities	20,190,351	4,070,819
Noncurrent Liabilities:		
Bonds Payable - Less Current Installments	4,780,000	6,790,000
Long-term Debt - Less Current Installments	533,814	703,597
Environmental and Closure Accrual for Landfill	2,610,260	2,477,844
Total Noncurrent Liabilities	7,924,074	9,971,441
Total Liabilities	28,114,425	14,042,260
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	-	-
Total Deferred Inflows of Resources	-	-
NET POSITION		
Unrestricted	68,832	257,240
Total Net Position	$ 68,832	$ 257,240

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, 2014 AND 2013

	2014	2013
Operating Revenues:		
Solid Waste Fees	$ 5,321,797	$ 5,184,165
Recycling Fees	91,827	95,906
Service Fees - Franklin County	6,526,250	6,175,486
Miscellaneous Income	17,812	97,592
Total Operating Revenues	11,957,686	11,553,149
Operating Expenses:		
Operations and Maintenance	2,665,540	2,589,450
General and Administration	478,952	425,773
Depreciation	1,550,608	1,456,198
Amortization	231,907	228,946
Service Fees - Franklin County	6,526,250	6,175,486
Total Operating Expenses	11,453,257	10,875,853
Operating Income:	504,429	677,296
Nonoperating Revenues (Expenses):		
Interest Income	1,321	203,944
Bond Issuance Costs	(277,722)	-
Interest Expense	(416,436)	(479,006)
Total Nonoperating Revenues (Expenses)	(692,837)	(275,062)
Change in Net Position	(188,408)	402,234
Net Position - Beginning of Year as Previously Stated	257,240	181,838
Restatement - Change in Accounting (Note 12)	-	(326,832)
Net Position - Beginning of Year Restated	257,240	(144,994)
Net Position - End of Year	$ 68,832	$ 257,240

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, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Cash Received from Customers	$ 5,277,834	$ 5,418,570
Payments to Suppliers	(1,422,435)	(1,227,566)
Payments to Employees for Salaries and Benefits	(1,731,298)	(1,606,455)
Net Cash Provided by Operating Activities	2,124,101	2,584,549
Cash Flows from Noncapital Financing Activities		
Cash Payments from Franklin County	6,526,250	6,175,486
Cash Payments to Franklin County	(6,479,017)	(6,145,798)
Net Cash Provided by Noncapital Financing activities	47,233	29,688
Cash Flows from Capital and Related Financing Activities		
Principal Repayments	(2,785,982)	(2,875,954)
Interest Paid	(388,283)	(492,508)
Acquisition and Construction of Capital Assets	(1,739,185)	(2,855,426)
Proceeds from Bond Premium	-	-
Payments for Debt Issuance Costs	(277,722)	-
Proceeds from Issuing Debt	15,234,028	842,704
Net Cash Provided (Used) by Capital and Related Financing Activities	10,042,856	(5,381,184)
Cash Flows from Investing Activities		
Interest Received on Deposits and Cash Equivalents	1,321	220,086
Redemption of Restricted Investments	-	2,534,592
Net Cash Provided by Investing Activities	1,321	2,754,678
Net Increase (Decrease) in Cash and Cash Equivalents	12,215,511	(12,269)
Cash and Cash Equivalents - Beginning of Year	6,167,127	6,179,396
Cash and Cash Equivalents - End of Year	$ 18,382,638	$ 6,167,127

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, 2014 AND 2013
(CONTINUED)

	2014	2013
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	$ 504,429	$ 677,296
Adjustments to Reconcile Operating Income to Net Cash		
provided by operating activities:		
Depreciation	1,550,608	1,456,198
Amortization	231,907	228,946
Bad Debt Expense	-	-
Changes in Operating Assets - (Increase) Decrease		
Accounts and Grants Receivable	(153,602)	40,907
Prepaid Expenses	(176)	(4,230)
Changes in Operating Liabilities - Increase (Decrease)		
Accounts Payable and Accrued Liabilities	(141,481)	16,957
Environmental Closure Accrual	132,416	168,475
Net Cash Provided by Operating Activities	$ 2,124,101	$ 2,584,549

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, 2014 and 2013 of $12,537,745 and $1,535,622, 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 $2,571,238 and $1,852,407 at June 30, 2014 and 2013, 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, 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

At June 30, 2013:	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, 2014 and 2013, is as follows:

	2014	2013
Construction and engineering costs	$ 3,130,013	$ 3,130,013
Discount on bonds payable	354,152	354,152
Premium on bonds payable	(153,528)	(153,528)
Expansion/Ton increased costs	2,000,775	1,699,344
	$ 5,331,412	$ 5,029,981

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 expansion/ton increase costs are being amortized over 6 years on a straight-line basis. Amortization expense related to the establishment and expansion costs totaled $156,501 and $156,501 for the years ended June 30, 2014 and 2013, respectively. Amortization associated with discounts and premium on bonds payable, was $16,728 and $16,728 for the years ended June 30, 2014 and 2013, respectively.

NOTE 4 - DEFERRED AMOUNT OF BOND REFUNDING/DEFEASANCE

Capitalized costs relate to bond refunding or defeasance at June 30, 2014 and 2013, is as follows:

	2014	2013
Deferred amount on defeased 1993 bond	$ 704,135	$ 1,572,481
Less: Accumulated amortization	(645,458)	(1,455,126)
Net Deferred Amount of Bond Refunding/Defeasance	$ 58,677	$ 117,355

The deferred amount on the defeased 1993 bond are being amortized over the lives of the bonds using the straight-line method. Amortization associated with bonds defeasance was $58,678 and $58,678 for the years ended June 30, 2014 and 2013, respectively.

NOTE 5 - REVENUE BOND ANTICIPATION NOTES PAYABLE

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

	2014	2013
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:

	2014	2013
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.	$ 335,000	$ 495,000
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	1,095,000
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	2,185,000
Solid Waste System Revenue Bond Series 2008. Interest payable semiannually at 4.28%, principal installments of $850,000 through $1,035,000, payable annually on June 1st through 2014.	-	1,035,000
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.	4,810,000	4,810,000
	6,790,000	9,620,000
Less: current installments	(2,010,000)	(2,830,000)
	$ 4,780,000	$ 6,790,000

NOTE 6 - BONDS PAYABLE (continued)

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, 2014 and 2013, $1,430,000 and $2,680,000 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
2015	$ 2,010,000	$ 253,360
2016	375,000	180,797
2017	210,000	174,300
2018	215,000	170,100
2019	220,000	163,650
2020-2024	1,200,000	710,900
2025-2029	1,495,000	415,400
2030-2033	1,065,000	86,400
	$ 6,790,000	$ 2,154,907

Interest expense on the above indebtedness was $467,593 and $540,239 for the years ended June 30, 2014 and 2013, respectively, when bond related amortization costs are included. Interest paid was $364,034 and $475,499 for the years ended June 30, 2014 and 2013, respectively.

NOTE 7 - LONG-TERM DEBT

Long-term debt is summarized below:

	2014	2013
First Niagara Leasing, Inc. capital lease payable in semiannual installments of $4,723 including interest at 3.20%, due June 2018, secured by equipment.	$ 35,202	$ -
First Niagara, installment loan payable in semiannual installments of $16,355 including interest at 3.124%, due January 2016, secured by equipment.	47,570	92,980
BNP Paribus, capital lease payable in semiannual installments of $10,004 including interest at 2.717%, due August 2017, secured by equipment.	66,370	84,209

NOTE 7 - LONG-TERM DEBT (continued)

	2014	2013
Caterpillar Financial Services, capital lease payable in semiannual installments of $35,976 including interest at 2.635%, due August 2017, secured by equipment.	239,065	303,443
Caterpillar Financial Services, capital lease payable in semiannual installments of $43,901 including interest at 2.095%, due February 2018, secured by equipment.	335,220	414,749
	723,427	895,381
Less: current portion	(189,613)	(191,784)
	$ 533,814	$ 703,597

Interest expense incurred and paid on the above indebtedness was $24,249 and $14,173 for the years ended June 30, 2014 and 2013, respectively.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2014, is as follows:

For the year ending June 30,	2015	$ 189,613
	2016	210,195
	2017	182,576
	2018	141,043
		$ 723,427

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, 2014, based on existing operating cell capacity is as follows:

Total landfill capacity	1,598,933	cubic yards
Total landfill capacity used through June 30, 2014	1,544,339	cubic yards
Percentage of total landfill capacity	96.59%	
Estimated closure and post-closure costs	$ 3,623,469	
Environmental and closure accrual	$ 2,610,260	
Anticipated closure date	2018	

NOTE 9 - RETIREMENT PLAN

PLAN DESCRIPTION

The Authority participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

FUNDING POLICY

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. The Authority is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

2014	$	158,423
2013		173,237
2012		142,216

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.

NOTE 9 - RETIREMENT PLAN (continued)

A summary of the Authority's future annual minimum maturities of the amortization at June 30, 2014, is as follows:

		Principal	Interest	Total
For the year ending June 30,	2015	$ 9,115	$ 2,955	$ 12,070
	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
	2020-2024	49,061	4,654	53,715
		$ 96,636	$ 17,429	$ 114,065

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, 2014 and 2013 total $6,526,250 and $6,175,486 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, 2014 and 2013, $6,526,250 and $6,175,486, respectively. The Authority owed Franklin County $541,077 and $493,844 at June 30, 2014 and 2013, respectively. These amounts are included in accounts payable.

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

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, 2014 the Authority recognized positive cash flows from operating activities of $2,124,101. 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, 2014 totaling $6,953,024. Retainage in the amount of $113,249 was held at June 30, 2014 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

The Authority has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. As part of implementing 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 and 2013 - 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 and 2013, is a decrease in total other assets and a corresponding increase of deferred outflows of resources of $58,677 and $117,355, respectively.

NOTE 13 - SUBSEQUENT EVENTS

The Authority has evaluated events and transactions that occurred between June 30, 2014 and September 16, 2014, 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, 2014 AND 2013

	2014		2013	
	Operations & Maintenance	General & Administration	Operations & Maintenance	General & Administration
Salaries, Wages, and Compensated Absences	$ 975,032	$ 205,485	$ 851,681	$ 194,864
Board Expenses	-	302	-	693
Host Community Benefits	-	60,015	-	57,376
Payroll Taxes and Employee Benefits	568,136	68,678	554,555	52,175
Environmental and Closure	177,352	-	174,116	-
Environmental Monitoring	30,013	-	48,599	-
Fuel	381,212	-	367,977	-
Insurance	70,503	56,739	67,064	45,283
Leachate Disposal	5,310	-	9,553	-
Waste Disposal	4,300	-	4,378	-
Miscellaneous Equipment	97,280	-	84,235	-
Office	4,622	10,071	317	11,021
Other Contractual Services	2,646	-	54,229	-
Professional Fees	6,950	16,055	23,369	24,593
Recycling	6,471	-	10,348	-
Repairs and Maintenance	183,738	19,921	217,020	10,984
Supplies	66,635	-	61,337	-
Telephone	8,127	5,008	8,614	3,943
Travel and Conference	4,285	10,286	4,198	8,132
Trustee Costs	-	12,250	-	12,250
Utilities	69,187	985	43,738	2,498
Miscellaneous	3,741	13,157	4,122	1,961
	$ 2,665,540	$ 478,952	$ 2,589,450	$ 425,773

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, 2014, 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 16, 2014.

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 2014-001.

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 2014-002.

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 2014-003.

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 16, 2014

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

2014-001: 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. During our review of accounts payable and search for unrecorded liabilities we noted instances of unrecorded accounts payables for services provided and goods delivered prior to year end for the Cell 5 construction and expansion projects. Retainage was also not recorded. Service fees and revenue were also not properly matched within the same period. 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 implement procedures to track and monitor outstanding invoices for all capital projects during the year and especially at year end. They should review open projects for unbilled goods and services received at year end, and record retainage withheld on projects as an expense and corresponding liability.

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.

2014-002: 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.

2014-002: 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.

2014-003: 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, 2014 of $12,537,745 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.

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