

**County of Franklin**  
**Solid Waste Management Authority**  
Annual Financial Report  
June 30, 2011

**COUNTY OF FRANKLIN SOLID WASTE  
MANAGEMENT AUTHORITY  
ANNUAL FINANCIAL STATEMENTS**



**CELL 2  
Closure Preparation**

**JUNE 30, 2011**

**County of Franklin Solid Waste Management Authority**

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June 30, 2011

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Seyfarth & Seyfarth CPAs, P.C.  
564 East Main St.  
Malone, NY 12953  
(518) 483-0880

Carl A. Seyfarth Jr. CPA  
Ann E. Seyfarth CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
County of Franklin Solid Waste Management Authority

We have audited the accompanying statements of financial position of the County of Franklin Solid Waste Management Authority for the years ended June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the County of Franklin Solid Waste Management Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of Franklin Solid Waste Management Authority as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 20 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the County of Franklin Solid Waste Management Authority's financial statements as a whole. The accompanying Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Seyfarth & Seyfarth CPAs, P.C.*  
Seyfarth & Seyfarth CPAs, P.C.  
September 22, 2011

**THE AUTHORITY BOARD MEMBERS**

Henry Travers, Chairman  
Greg Paye, Vice Chairman – Treasurer  
Paul Herrmann  
Tim “Guy” Smith  
David Rhodes  
Dean Lefebvre  
Jeff Smith

**Executive Director**

George Eades, eng.

**Secretary to the Board/Vice-Treasurer**

Jill A. Wood

**GENERAL COUNSEL**

Brian Stewart,  
Hughes, Stewart and Race, PC

**ACCOUNTANT**

Seyfarth & Seyfarth CPAs, PC

September 16, 2011

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, 2011, 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, 2011, 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 principals 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, 2011 identified no material violations of applicable laws and regulations.

The annual financial report is presented in three sections: introductory, financial and statistical. 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 statistical section includes selected financial information, generally presented on a multi-year basis.

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 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 has determined that it is not part of the reporting entity of the county. 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 increased its tipping fees in 2005, 2006 and has done so again in 2011. These fee increases created positive operating results. Of the past eleven years, this is the tenth



year the Authority has shown positive results. Prior to this, the Authority suffered seven consecutive years of losses.

This was due to financial obstacles, resulting from the Carbone decision, and general operating problems, culminating in a fire at the landfill in 1999-2000. In response, the Authority brought in a new Executive Director and has made substantial changes to its operations, marketing, pricing, permitting and financial structure in order to lower expenses and increase revenues.

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 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 positive results of 2009 reflect the first full year of revenues from flow control. In 2011 the Authority continues to show positive results. These positive results are attributable to managements continued strategy of maximizing opportunity and minimizing risk.

### ***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 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.

### ***Acknowledgements***

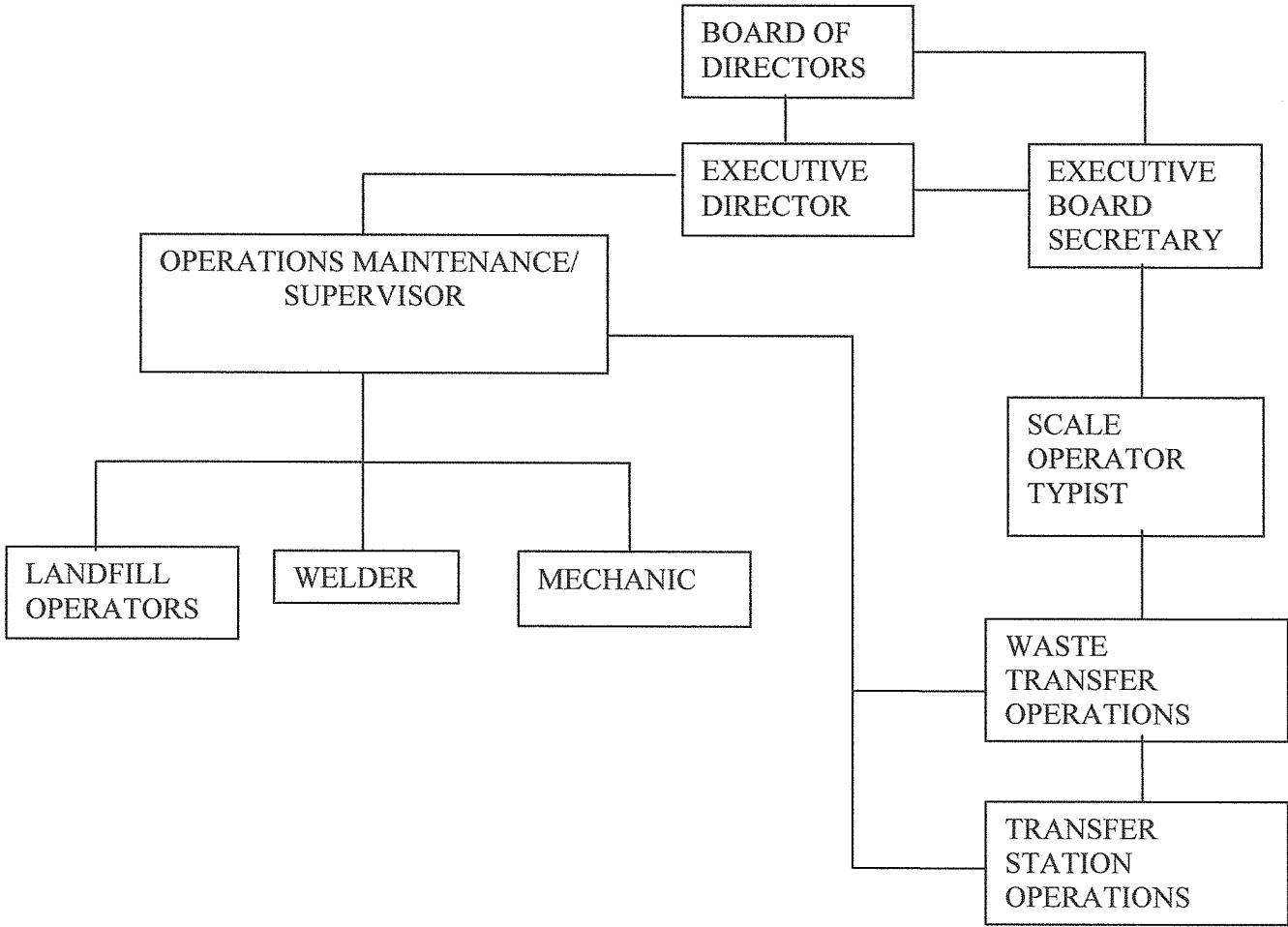
The help of staff and our certified public accountants is gratefully acknowledged. Special thanks to Jill A. Wood whose continuing efforts result in the successful conduct and completion of this audit.

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, 2011. 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 2011, the Authority received somewhat more MSW but less BUD material. Overall, tonnage was below historical norms. Revenue from MSW and C&D remains stable which is encouraging in these financial times. Although total tonnage was down, we were able to finish the year with a small surplus.

In fiscal year 2010, current management turned the fund balance 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 analysis, management anticipated retiring the fund deficit in fiscal 2010. In fiscal year 2010, the fund surplus was \$ 366,251. In fiscal year 2011, management showed a surplus of \$424,364.

The capital assets of the Authority after depreciation, include land, buildings and equipment in the amount of \$5,876,036. All investments amount to \$ 6,042,178.

In 2011, the Authority's revenues exceeded its expenses by \$58,113. Although smaller than in recent years the Authority continues to show positive operating results. 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 December, 2010 the landfill experienced a fire which completely destroyed our backup compactor. It was replaced in April 2011 with a similar machine to ensure operational efficiency

In June of 2011, the Authority renewed an agreement with the Village of Malone which ensures the Authority access to the Malone WTP 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.

The Authority's total liabilities remained stable.

## Overview of the Financial Statement

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 a Statement of Financial Position, a Statement of Activities, a Statement of Cash Flows, and notes to the financial statements.

The **Statement of Financial Position** presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, the increase or decrease in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The **Statement of Activities** is the basic financial statement of activities 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 years operations.

The **Statement 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 26 of this report.

## Summary of Financial Position

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's total net assets increased \$ 58,113 in the fiscal year 2011. A condensed summary of the Authority's financial position for fiscal years 2011, and 2010, is presented below.

	2011	2010
Assets		
Current assets	\$ 769,325	\$ 743,693
Investments	6,042,178	6,857,882
Other Assets	2,105,592	2,356,790
Capital Assets	<u>5,876,036</u>	<u>7,000,810</u>
Total Assets	<u>\$ 14,793,131</u>	<u>\$ 16,959,178</u>
Liabilities		
Current Liabilities	\$ 3,678,959	\$ 3,434,110
Bonds Payable	7,525,000	10,135,000
Long-term Debt	213,680	202,629
Other Liabilities	<u>2,951,128</u>	<u>2,821,188</u>
Total Liabilities	<u>14,368,767</u>	<u>16,592,927</u>
Fund Surplus/Deficit	<u>424,364</u>	<u>366,251</u>
Total Liabilities and Deficit	<u>\$ 14,793,131</u>	<u>\$ 16,959,178</u>

## Summary of Statement of Activities

A summary of revenues, expenses and excess of revenues over expenses for the years ending 2011 and 2010, is presented below:

	2011	2010
Total Operating Revenue	\$ 11,099,045	\$ 10,201,061
Total Operating Expense	<u>10,669,408</u>	<u>8,745,541</u>
Operating Income	\$ 429,637	\$ 1,459,521
Other Income (Expense)	\$ <u>( 371,524)</u>	\$ <u>(520,835)</u>
Excess of Revenues Over Expenses	<u>\$ 58,113</u>	<u>\$ 938,686</u>

The Authority has the long-term objective of accumulating funds to meet all future cell expansion, closure and post-closure requirements from the annual revenues. The Authority does not plan to borrow for closure or post closure needs. The Authority borrowed funds to finance the construction of Cell 4.

However, the overall objective of the Board is to generate sufficient revenues to operate on a cash basis.

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 Authority and its consulting engineer, Barton & Loguidice, PC continue to work on a footprint expansion to meet the long term requirements of the facility.

In the 2011 fiscal year, the Authority and their consulting engineer continued the ongoing planning for the proposed long term landfill property acquisition and footprint expansion. 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 in the development of the footprint and buffer for the landfill.

In the 2011 fiscal year, the Authority and consulting engineer continued the detailed study on the initial 25 acre footprint expansion which will consist of 3 cells and provide solid waste capacity for about 20 years. 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 will provide the necessary information to complete the hydro-geologic report and provide the information required for the engineering design of next 3 cells. It is anticipated the design work required for the footprint expansion and submission of documents for the permit will be completed in fiscal year 2012. Issuance of the permit is subject to the review and approval of DEC. To date, the planning continues to advance as proposed.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The Authority continues to invest in capital assets. During the fiscal year 2011, 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 by the Authority was the acquisition of new roll off truck and four containers and a compactor to replace the one lost to fire. We continue to acquire used equipment when opportune

from Federal Property Assistance to enhance the efficient operation of the landfill. These included a D7 bulldozer for the landfill and 2 dump trucks for use at the transfer stations.

The Authority currently uses approximately one acre per year of cell space. Cell 4 is 5 acres in size and the last in the current permitted cells at the landfill..



**Fig. 1 Burned out compactor Dec. 2010**



**Fig. 2 Replacement compactor Spring 2011**

Cell 4 was built in 2008 with the anticipation of use in the fall of 2009. Due to the high densities we are achieving with the use of the two compactors at the end of the fiscal year 2010 we still had airspace available in cells 2 and 3. In the late fall of 2010 we began using Cell 4, a year later than originally planned. Cell four's estimated remaining capacity is 346,000 tons or about 4.25 years at current usage rate of 80,000 tons per year.

#### **Equipment Replacement Fund ("ERF")**

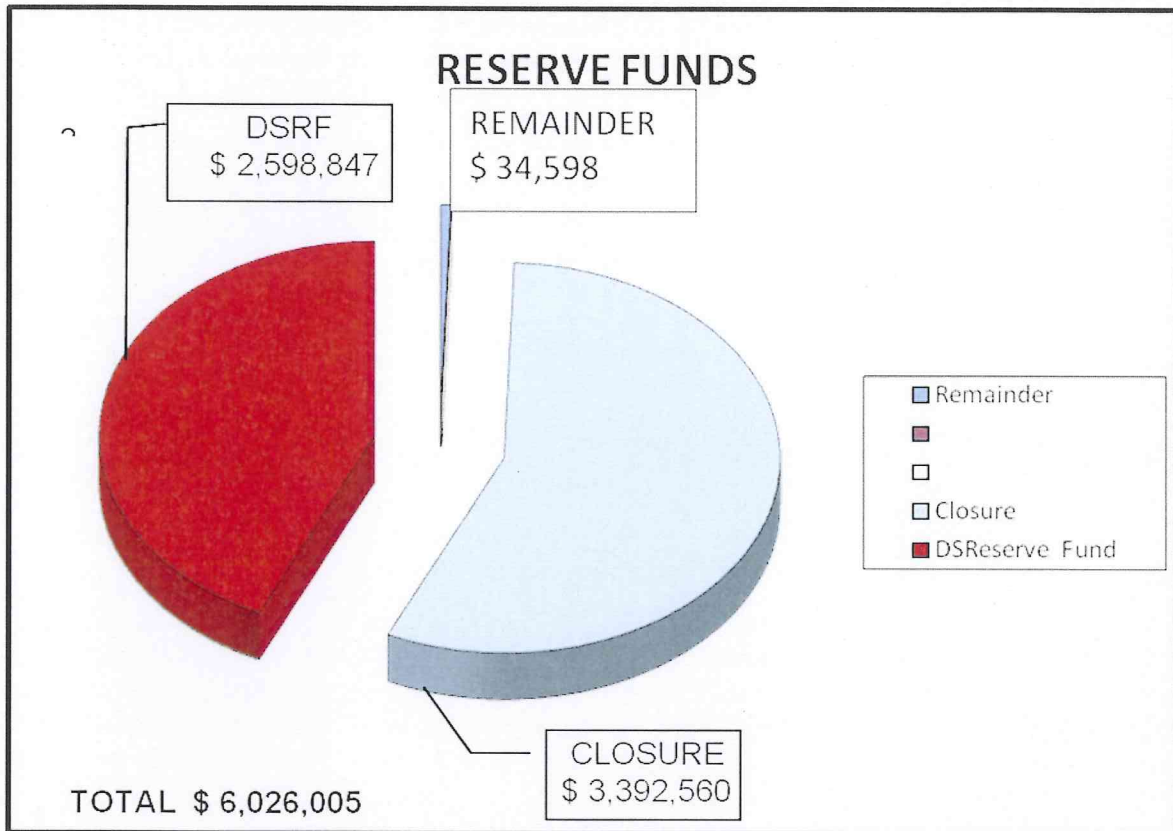
The ERF is funded to provide funds to replace or refurbish equipment and other physical assets of the Authority. Deposits are made to the ERF to meet current equipment payment costs. These deposits are reviewed annually in the Authority's budget process.

This year the Authority purchased four new roll-off containers to replace and supplement our waste transfer capacity. In addition the authority acquired numerous pieces of surplus equipment to supplement our current fleet of equipment and optimize the landfill operation. Major pieces of equipment were repaired. The authority replaced a roll-off truck in 2011. This coincides with our long-term objectives of replacing equipment on a timely basis.

#### ***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, 2011, the balance held in the Debt Service Reserve Fund was \$2,598,847 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 and the Solid waste Authority. The overall review was positive and the Authorities rating was raised from **BBB+** to **A-** a significant improvement in these times.

Additional information on the bonds payable may be found in Note D – Bonds Payable of the notes to the financial statements on page 29 of this report. Further information on long-term debt with respect to equipment financing may be found in Note-E - Long-Term Debt of the notes to the financial statements on page 31 of this report.



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 F - Environmental and Closure Accrual for Landfill.

### **Closure and Post-Closure & Other Reserves**

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

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 \$ 228,600 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, 2011, the balance held in the Closure and Post Closure funds was approximately \$ 3,392,559. The closure started in June of 2011 and will be completed in the fall of 2011.

## **HISTORICAL AND STATISTICAL DATA**

### **Capacity**

*Existing Capacity.* The permitted capacity of cell 4 is 425,000 cubic yards. Currently 345,866 cu. yd. are available or about 4.3 years at the annual waste acceptance rate.

*Potential Capacity.* The Authority adopted a Final Environmental Impact Statement on February 26, 2009. This deals with the proposed long-term development of the landfill. The total proposed land acquisition is 586 acres most of which will not be used for landfill. The proposed maximum build-out 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 421 acres located north and south of county route 20 will be used as buffer or for potential wetland mitigation in the future. The landfill expansion is proposed to be permitted and constructed in phases of about 25 acres. The first of these consisting of 3 cells of 7-8 acres each. The total build-out will take place over a 95 year period. Land acquisition and permitting for the landfill expansion is anticipated to be completed in adequate time to meet the future needs of the Authority.

The Authority believes that this time frame will ensure all engineering and design studies required for cell construction of cell 5 will ensure adequate capacity is available as required.

### **Transfer Stations**

The Authority operates three transfer stations within the County located in Malone, Lake Clear and Tupper Lake. The Authority also provides solid waste collection on Saturdays only at the site at St. Regis Falls (Town of Waverly). All transfer stations have permits issued by the New York State Department of Environmental Conservation ("DEC").



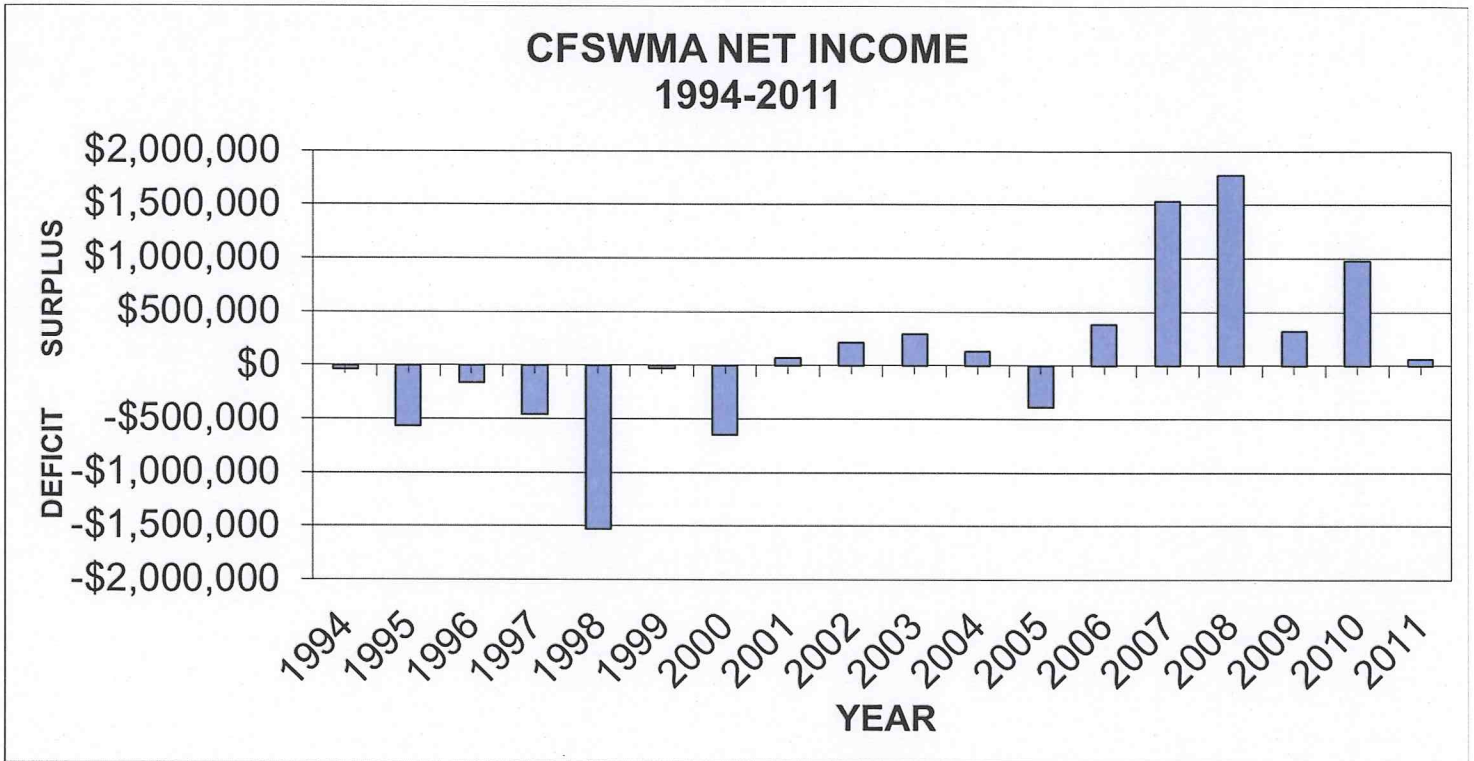
**Fig. 4 Transfer Station Repairs and Improvements**



**Fig. 5 Bulk handling facility for recyclables**



### CFSWMA NET INCOME 1994-2011



### NET INCOME HISTORY

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						

## Host Community Fees

The Authority negotiated a formal Host Community Benefit Package with of the Towns of Westville and Constable which took effect March 26, 2011. 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.

## 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 2011 fiscal years:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>MSW</b>												
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
Out-of-County	<u>22,848</u>	<u>18,925</u>	<u>22,019</u>	<u>23,749</u>	<u>22,112</u>	<u>16,413</u>	<u>16,741</u>	<u>19,097</u>	<u>18,989</u>	<u>18,305</u>	<u>15,799</u>	<u>17,034</u>
TOTAL	44,812	44,374	46,554	47,525	45,399	43,016	42,198	43,112	47,634	48,059	48,156	50,379
<b>BUD</b>												
Franklin County	8,724	9,220	8,750	12,152	1,4959	17,945	14,825	11,998	8,869	8,644	10,848	1949
ARRA <sup>1</sup>	17,615	13,489	12,340	16,599	12,701	4,251	13,083	1,272	0	0	0	0
Other	<u>3,323</u>	<u>8,668</u>	<u>8,074</u>	<u>2,575</u>	<u>11,978</u>	<u>5,144</u>	<u>12,989</u>	<u>44,983</u>	<u>45,347</u>	<u>10,366</u>	<u>12,260</u>	<u>15,375</u>
TOTAL	29,662	31,377	29,164	31,326	33,196	27,431	40,897	58,253	54,216	19,278	23,108	17,324
<b>TOTAL TONS</b>	<b>74,747</b>	<b>75,751</b>	<b>75,718</b>	<b>78,851</b>	<b>80,820</b>	<b>70,357</b>	<b>83,095</b>	<b>101,366</b>	<b>101,851</b>	<b>67,338</b>	<b>71,264</b>	<b>67,703</b>

<sup>1</sup> 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:

<u>FACILITY</u>	<u>IN COUNTY TIP FEE AT TRANSFER STATIONS (PER TON MSW)</u>	<u>IN COUNTY TIP FEE AT LANDFILL (PER TON MSW)</u>	<u>OUT-OF-COUNTY TIP FEE (PER TON MSW)</u>
Clinton County	\$ 75.30	\$57.26	\$75.30
St. Lawrence County	\$ 105.65	N/A	\$105.65
Essex County	\$ 125.00	N/A	\$ 125.00
Lewis County	\$ 61.00	N/A	\$ 61.00
Jefferson County	\$ 120.00	\$0.00	\$ 120.00
Herkimer	\$ 115.00	N/A	\$115.00
CFSWMA	\$ 85.00	\$70.00	\$40 to \$70
DANC (located in Jefferson County)	\$0.00	\$41.00	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**

Again this year, the Authority experienced lower tonnages than the historical average received but we are pleased that we were again able to achieve positive operating results of \$ 58,113. Since 2000, management has been able to show positive results ten out of eleven years and since 2005 has reduced the operating deficit from ( \$ 5,454,144) to an operating surplus of \$424,364.

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 permittable tonnage in 2006 has allowed management flexibility in managing waste flows and thus we are able to take advantage of opportunities presented in the market place. These two changes have significantly changed our abilities. The positive results achieved this year is a reflection of managements ability to take advantage of the market place.

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 2011 this is the first fee increase since 1999.

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

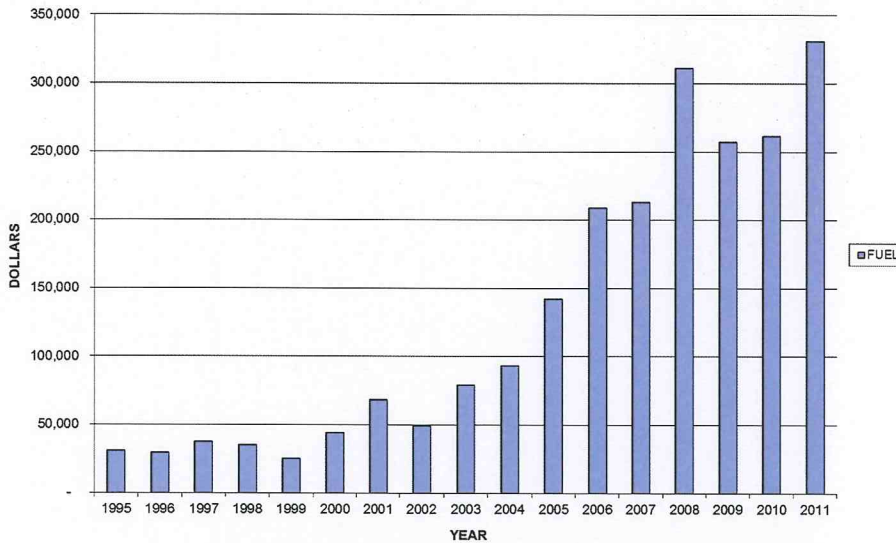
The above changes over the years along with careful management of expenses has allowed the Authority to continue to show positive results. In 2012, we hope to increase our MSW revenues from outside the county. If we are successful, this increase in revenues will have a positive impact on our operating results.

**Fig. 5 Spare D7 bulldozer  
Acquired from GSA**

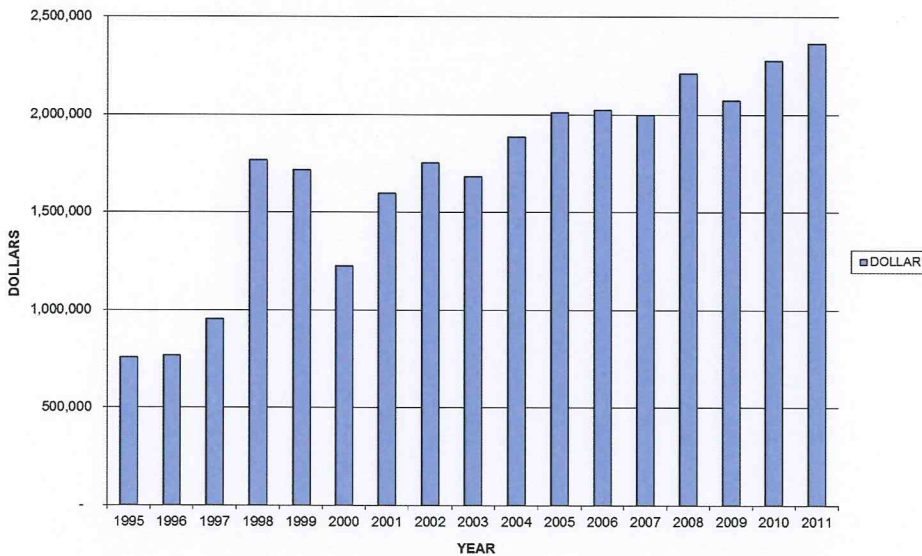


**Fig. 6 New 2011 roll off truck**

FUEL EXPENSE



GROSS OPERATION AND MAINTENANCE EXPENSES



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 continues to move towards its long-term goal of expansion as outlined in its updated Solid Waste Management Plan of 2006. With the completion of land acquisition and finalizing of an expanded permitted footprint the Authority should be in a position to continue showing positive financial results.

**County of Franklin Solid Waste Management Authority**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

	2011	2010
Assets		
<b>Property, plant and equipment, at cost</b>		
Land improvements	\$ 2,040,041	\$ 2,240,195
Landfill cell	13,441,201	13,241,047
Buildings	3,000,658	3,000,658
Machinery, equipment, vehicles	2,879,750	2,762,261
	21,361,650	21,244,161
Less: accumulated depreciation	(15,752,074)	(14,509,811)
	5,609,576	6,734,350
Land	266,460	266,460
Net property, plant and equipment	5,876,036	7,000,810
<b>Investments</b>		
Cash and cash equivalents, restricted	3,467,213	3,429,307
Investments, restricted	2,558,792	3,396,785
Accrued interest on restricted bonds	16,173	31,790
Total investments	6,042,178	6,857,882
<b>Current assets</b>		
Cash and cash equivalents, unrestricted	206,127	240,087
Accounts receivable	512,939	458,036
Prepaid expenses	50,259	45,573
Total current assets	769,325	743,696
<b>Other assets</b>		
Capitalized engineering and financing costs, net of amortization of \$4,700,708 and \$4,410,073 respectively	2,105,592	2,356,790
<b>Total assets</b>	<b>\$ 14,793,131</b>	<b>\$ 16,959,178</b>

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



**County of Franklin Solid Waste Management Authority**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

	2011	2010
Fund Balance (Deficit) and Liabilities		
<b>Fund balance (deficit)</b>	\$ 424,364	\$ 366,251
<b>Bonds payable</b> , less current installments	7,525,000	10,135,000
<b>Long-term debt</b> , less current installments	213,680	202,629
<b>Other liabilities</b>		
Environmental and closure accrual for landfill	2,951,128	2,821,187
<b>Current liabilities</b>		
Current installments of bonds payable	2,610,000	2,505,000
Current installments of long-term debt	188,960	143,897
Accounts payable and accrued expenses	845,872	743,690
Accrued interest payable	34,127	41,524
Total current liabilities	3,678,959	3,434,111
<b>Commitments and contingencies</b>		
Total fund balance (deficit) and liabilities	\$ 14,793,131	\$ 16,959,178

**County of Franklin Solid Waste Management Authority**

Statements of Activities

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>		
Solid waste fees	\$ 4,670,385	\$ 4,672,278
Recycling fees	101,810	106,557
Service fees-Franklin County	<u>6,326,850</u>	<u>5,426,227</u>
Total operating revenues	<u>11,099,045</u>	<u>10,205,062</u>
<b>Operating expenses</b>		
Operations and maintenance	2,363,363	2,276,647
General and administration	353,760	337,648
Depreciation	1,418,504	490,724
Amortization	206,931	214,295
Service fees-Franklin County	<u>6,326,850</u>	<u>5,426,227</u>
Total operating expenses	<u>10,669,408</u>	<u>8,745,541</u>
 Operating income	 <u>429,637</u>	 <u>1,459,521</u>
<b>Other income (expenses)</b>		
Interest income	97,207	131,700
Interest expense	(569,213)	(661,946)
Miscellaneous	<u>100,482</u>	<u>9,411</u>
Total other income (expenses)	<u>(371,524)</u>	<u>(520,835)</u>
 Excess of revenues over expenses	 58,113	 938,686
 Fund (deficit), beginning of year	 <u>366,251</u>	 <u>(572,435)</u>
 Fund balance (deficit), end of year	 <u>\$ 424,364</u>	 <u>\$ 366,251</u>

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

**County of Franklin Solid Waste Management Authority**

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 4,817,774	\$ 4,765,561
Cash payments for goods and services	(1,512,739)	(1,625,650)
Cash payments to employees for salaries and benefits	<u>(1,016,384)</u>	<u>(1,265,476)</u>
Net cash provided by operating activities	<u>2,288,651</u>	<u>1,874,435</u>
<b>Cash flows from noncapital financing activities</b>		
Cash payments from Franklin County	6,326,850	5,426,227
Cash payments to Franklin County	<u>(6,326,850)</u>	<u>(5,426,227)</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
<b>Cash flows from capital financing activities</b>		
Proceeds from issuing long-term debt	200,332	-
Payments for capital acquisitions	(293,730)	(256,241)
Principal repayments	(2,649,218)	(2,553,769)
Interest paid	<u>(492,906)</u>	<u>(579,836)</u>
Net cash used by capital financing activities	<u>(3,235,522)</u>	<u>(3,389,846)</u>
<b>Cash flows from investing activities</b>		
Cash receipts from interest	112,824	129,431
Redemption of restricted investments	<u>837,993</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>950,817</u>	<u>129,431</u>
Change in cash	3,946	(1,385,980)
Cash and cash equivalents, beginning of year	<u>3,669,394</u>	<u>5,055,374</u>
Cash and cash equivalents, end of year	<u>\$ 3,673,340</u>	<u>\$ 3,669,394</u>

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

**County of Franklin Solid Waste Management Authority**

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 530,119	\$ 1,468,933
Adjustments to reconcile operating income to net cash provided by operating activities		
Increase in accounts receivable	(57,903)	(22,685)
Increase in prepaid expenses	(4,686)	(4,263)
Increase in capitalized engineering and financing costs	(39,437)	(244,281)
Increase (Decrease) in accounts payable and accrued liabilities	102,182	(312,181)
Increase in environmental closure accrual	129,941	258,822
Bad debt expense	3,000	25,071
Amortization expense	206,931	214,295
Depreciation expense	1,418,504	490,724
Total adjustments	<u>1,758,532</u>	<u>405,502</u>
Net cash provided by operating activities	<u>\$ 2,288,651</u>	<u>\$ 1,874,435</u>

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

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

**Note A - Summary of Significant Accounting Policies:**

*1. 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 an enterprise fund.

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

*2. Accounting Method*

The Authority's financial statements are prepared using the accrual basis in accordance with generally accepted accounting principles for public authorities. The Authority follows the guidance provided by FASB except for those that conflict with or contradict GASB pronouncements.

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*3. 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.

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

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 no deposits that exceeded the FDIC insurance at June 30, 2011.

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.

*4. 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 realization losses on balances outstanding at year-end will be immaterial.

*5. 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.

*6. 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 \$3,392,560 and \$2,385,486 at June 30, 2011 and 2010, 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.

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.

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

*7. 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.

*8. Subsequent Events*

Subsequent events have been evaluated through September 22, 2011, which is the date the financial statements were available to be issued.

**Note B - Investments, Restricted**

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

	Face Value	Unamortized Premium (Discount)	Total	Fair Market Value
US Treasury bill	\$ 24,200	\$ -	24,200	\$ 24,200
US Treasury note	558,000	-	558,000	585,398
US Treasury note	6,000	-	6,000	6,000
US Treasury note	-	-	-	-
Tri-Party repo bond	846,065	-	846,065	870,265
Tri-Party repo bond	1,124,527	-	1,124,527	1,124,520
	<u>\$ 2,558,792</u>	<u>\$ -</u>	<u>\$ 2,558,792</u>	<u>\$ 2,610,383</u>

**Note C - Capitalized Engineering and Financing Costs**

Capitalized costs relate to various initial start-up costs and costs associated with expansion. Also included are costs associated with bond defeasance and issuance.

A summary of capitalized engineering and financing costs at June 30, 2011 and 2010, is as follows:

	2011	2010
Construction and engineering costs	\$ 3,154,033	\$ 3,154,033
Discounts on bonds payable	354,151	354,151
Bond issuance costs including underwriters' discount	513,918	513,918
Deferred amount on defeased 1993 bond	1,572,481	1,572,481
Expansion/Ton increase costs	1,211,717	1,172,280
	<u>\$ 6,806,300</u>	<u>\$ 6,766,863</u>

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

Authority establishment costs are amortized over 20 years on a straight-line basis, beginning on June 6, 1994, the date on which operations began. Financing costs and the deferred amount on the defeased 1993 bond are being amortized over the lives of the bonds using the straight-line method. 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 and bond issue costs totaled \$206,931 and \$214,295 for the years ended June 30, 2011 and 2010, respectively. Amortization associated with bond defeasance and discounts, recorded as interest expense, was \$83,704 and \$86,147 for the years ended June 30, 2011 and 2010, respectively.

**Note D - Bonds Payable**

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

	2011	2010
EFC Bonds to be used in defeasance of 1993 bonds Interest is payable semiannually at 2.82%, principal instalments of \$110,000 through \$170,000, payable annually on December 15 through 2015	\$ 800,000	\$ 950,000
Water Pollution Control Revolving Fund Revenue Bonds, Series 1995A Interest payable semiannually at 2.01% to 2.89%, principal instalments of \$345,000 through \$550,000, payable annually on May 15, 1996 through 2015	2,130,000	2,625,000
Solid Waste System Revenue Refunding Bonds Series 2003 A Interest payable semiannually at 3.0% to 4.375%, principal instalments of \$555,000 through \$1,095,000, payable annually on June 1, 2004 through 2015	4,220,000	5,160,000
Solid Waste System Revenue Bond Series 2008 Interest payable semiannually at 4.28%, principal instalments of \$850,000 through \$1,035,000, payable annually on June 1, 2009 through 2014	2,985,000 <u>10,135,000</u>	3,905,000 <u>12,640,000</u>
Less: current installments	2,610,000 <u>\$ 7,525,000</u>	2,505,000 <u>\$ 10,135,000</u>



**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

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, 2011 and 2010, \$5,020,000 and \$6,110,000 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 is as follows:

For the year ending June 30,	2012	\$ 2,610,000
	2013	2,715,000
	2014	2,830,000
	2015	1,810,000
	2016	170,000
		<u>\$10,135,000</u>

Interest expense on the above indebtedness was \$468,506 and \$555,880 for the years ended June 30, 2011 and 2010, respectively. Interest paid was \$475,903 and \$559,917 for the years ended June 30, 2011 and 2010, respectively.

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

**Note E - Long-Term Debt**

Long-term debt is summarized below:

	<u>2011</u>	<u>2010</u>
Ingersall Rand installment loan payable in semiannual installments of \$7,597 including interest at 6.3%, due February, 2011, secured by equipment	\$ -	\$ 13,822
1st Source Bank installment loan payable in semiannual installments of \$3,270 including interest at 4.99%, due January 2012, secured by equipment	6,263	12,235
Koch Financial Corp. installment loan payable in semiannual installments of \$15,874 including interest at 5.46%, due August 2012, secured by equipment	44,841	72,968
Caterpillar installment loan payable in semiannual installments of \$52,645 including interest at 4%, due August 2012, secured by equipment	151,204	247,501
First Niagara, installment loan payable in semiannual installments of \$16,355 including interest at 3.124%, due January 2016, secured by equipment	150,332	-
First Niagara, installment loan payable in semiannual installments of \$12,991 including interest at 3.14%, due February 2013, secured by equipment	<u>50,000</u>	<u>-</u>
	402,640	346,526
Less: current portion	<u>188,960</u>	<u>143,897</u>
	<u>\$ 213,680</u>	<u>\$ 202,629</u>

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

Interest expense incurred and paid on the above indebtedness was \$17,003 and \$19,919 for the years ended June 30, 2011 and 2010, respectively.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2011, is as follows:

For the year ending June 30,	2012	\$ 188,960
	2013	120,701
	2014	30,037
	2015	30,983
	2016	31,959
		\$ 402,640

**Note F - 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, 2011, is as follows:

Total landfill capacity	1,598,930 cubic yards
Total landfill capacity used through June 30, 2011	1,253,067 cubic yards
Percentage of total landfill capacity	78%
Estimated closure and post-closure costs	\$3,765,685
Environmental and closure accrual	\$2,951,128
Anticipated closure date	2016

**Note G – 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.

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

*Funding Policy*

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be 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:

2011	\$ 106,333
2010	\$ 56,710
2009	\$ 68,036

The Authority's contributions made to the System were equal to 100% of the contributions required for each year.

**Note H - 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, 2011 and 2010 total \$6,326,850 and \$5,426,227 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, 2011 and 2010, \$6,326,850 and \$5,426,227, respectively. The Authority owed Franklin County \$448,367 and \$474,802 at June 30, 2011 and 2010, 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.

**County of Franklin Solid Waste  
Management Authority**  
Notes to Financial Statements  
June 30, 2011

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, 2011 the Authority recognized positive cash flows from operating activities of \$2,288,651. 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.

**County of Franklin Solid Waste Management Authority**

Schedules of Operating Expenses

For the Years Ended June 30, 2011 and 2010

	2011		2010	
	<u>Operations &amp; Maintenance</u>	<u>General &amp; Administration</u>	<u>Operations &amp; Maintenance</u>	<u>General &amp; Administration</u>
Salaries, wages and compensated absences	\$ 826,703	\$ 159,492	\$ 803,660	\$ 148,329
Board expenses	-	613	-	981
Host community benefits	-	40,994	-	39,567
Payroll taxes and employee benefits	440,878	41,185	371,169	30,148
Environmental and closure	165,110	-	258,822	-
Environmental monitoring	47,249	-	46,105	-
Fuel	330,987	-	261,191	-
Insurance	74,443	28,628	79,283	26,463
Leachate disposal	42,531	-	28,344	-
Waste disposal	3,300	-	2,852	-
Miscellaneous equipment	109,236	-	77,639	-
Office	-	7,411	400	5,787
Other contractual services	18,202	-	56,164	-
Professional fees	16,539	21,100	10,174	24,589
Recycling	8,351	-	16,497	-
Repairs and maintenance	181,785	11,190	168,993	12,066
Supplies	36,507	-	47,814	-
Telephone	6,618	2,214	5,512	1,709
Travel and conference	3,617	5,145	2,191	4,523
Trustee costs	-	9,150	-	9,089
Utilities	49,621	2,349	38,916	2,235
Miscellaneous	1,686	24,289	921	32,162
	<u>\$ 2,363,363</u>	<u>\$ 353,760</u>	<u>\$ 2,276,647</u>	<u>\$ 337,648</u>

Seyfarth & Seyfarth CPAs, P.C.  
564 East Main St.  
Malone, NY 12953  
(518) 483-0880

Carl A. Seyfarth Jr. CPA  
Ann E. Seyfarth CPA

**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 the financial statements of the County of Franklin Solid Waste Management Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated September 22, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Franklin Solid Waste Management Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin Solid Waste Management Authority's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying comments to management that we consider to be significant deficiencies in internal control over financial reporting: 00-1. A significant deficiency is a deficiency, or 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.

## 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 11-1 and 11-2.

County of Franklin Solid Waste Management Authority's response to the findings identified in our audit is described in the accompanying comments to management. We did not audit the County of Franklin Solid Waste Management Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

*Seyfarth & Seyfarth CPAs, P.C.*  
Seyfarth & Seyfarth CPAs, P.C.

September 22, 2011



**County of Franklin Solid Waste  
Management Authority**  
Comments to Management  
June 30, 2011

**11-1 Debt Service Fund Not Properly Funded**

**Condition**

The Debt Service Fund was not properly funded as required by the Bond Resolution.

**Criteria**

Section 606(b) of the 1993 Bond Resolution requires the Authority to deposit monthly, with the Trustee, 1/6<sup>th</sup> of the amount required to be paid on the next succeeding interest payment date and 1/12<sup>th</sup> of the amount required to be paid on the next principal payment date.

**Cause**

The Authority had insufficient cash flow to make the required deposits, meet ordinary operating expenses and pay a bond installment that was coming due.

**Effect**

The Authority is not in compliance with the 1993 Bond Resolution.

**Recommendation**

We recommend that the Authority comply with the bond resolution.

**Management's Response**

Management was dealing with a difficult cash flow situation which required careful cash management to ensure that current cash requirements were met and to ensure funding for the bond payments. All obligations were met by year end. Management continues to deal with the cash flow problem. We are working to increase cash flow through increased revenue from new external sources of MSW. We hope to finalize new sources of MSW in the first half of 2012. Assuming we are able to realize this additional tonnage our cash flow problem will be eliminated.

**County of Franklin Solid Waste  
Management Authority**  
Comments to Management  
June 30, 2011

**11-2 Closure and Post Closure Funds Not Properly Funded**

**Condition**

The Closure and Post Closure Funds were not funded in an amount sufficient to meet the requirements of the Engineer's Report for the year ended June 30, 2011.

**Criteria**

Section 606(e) of the 1993 Bond Resolution requires the Authority to make monthly deposits in an amount sufficient to fund the Post Closure and Closure Funds based on the amounts specified in the Engineer's Report.

**Cause**

The Authority had insufficient cash flow to make the required deposits, meet ordinary operating expenses and pay a bond installment that was coming due.

**Effect**

The Post Closure and Closure Funds were under funded by approximately \$71,000 and the Authority was not in compliance with the Bond Resolution.

**Recommendation**

We recommend that the Authority comply with the Bond Resolution.

**Management's Response**

The Authority bid the closure of cell 2 in March. It was apparent, from the bid prices, that our 2011 engineer's estimate for closure was high. On this basis, funding was decreased to aid our cash flow in 2011. Funding will be maintained at the revised engineer's estimate for 2012.

**County of Franklin Solid Waste  
Management Authority**  
Comments to Management  
June 30, 2011

**00-1 Segregation of Duties**  
**Status - Not Corrected**

**Condition**

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. The bookkeeper also prepares the bank reconciliation. She also handles cash disbursements. The bookkeeper is also responsible for entering employee time sheets and processing payroll. This represents a segregation of duties problem. The bookkeeper is also responsible for assigning user rights and passwords in the scale system.

**Recommendation**

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 implement mitigating controls to help reduce the risk of misuse of the Authority's assets.

**Management's Response**

Invoices are matched to purchase orders that are filled out primarily by the landfill supervisor. The secretary verifies his initials and his "OK" that the bills match the purchase orders and then prepares vouchers. Normally, after vouchers are verified and signed by the Chairman of the Board and 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. Therefore, the Executive Director opens the monthly bank statements. He verifies checks signed by the landfill supervisor initialing the copy of each check. The Treasurer also reviews the operating account on a monthly basis.

An important control the Authority has is liability insurance in the amount of \$100,000 per employee.

**County of Franklin Solid Waste  
Management Authority  
Comments to Management  
June 30, 2011**

**00-2 Service Agreement with Franklin County  
Status –Not Corrected**

**Condition**

The Service Agreement requires the Authority to reimburse the County the lower of the tipping/user fees collected during the previous month, or the service fees paid to the Authority by the County. The reimbursement is to be made within five days of the close of the subsequent month. We noted that the Authority was reimbursing the County the entire service fee, which was sometimes higher than the tipping fees. Failure to follow the terms of the agreement could result in overpayment to the County.

**Recommendation**

We recommend that the Authority review the Service Agreement and adhere to the agreement.

**Management's Response**

Management was made aware of the actual terms of the agreement and actual practices which have been in place since the commencement of operation. Management awaits directive from the Solid Waste Board with respect to the repayment of tipping fees and user fees collected each month. Due to positive cash flow, returning the entire amount to the County has not had an adverse affect on the Authority. At such time that this is no longer the case, management will ask for direction from the Solid Waste Authority Board.