

County of Franklin
Solid Waste Management Authority
Annual Financial Report
June 30, 2009

County of Franklin Solid Waste Management Authority

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June 30, 2009

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Seyfarth & Seyfarth CPAs, P.C.
17 Harrison Place
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, 2009 and 2008, 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 audit provides a reasonable basis for our opinion.

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, 2009 and 2008, 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 17, 2009 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.

The management's discussion and analysis on pages 3 through 18, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, are 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 17, 2009

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



JUNE 30, 2009

THE AUTHORITY BOARD MEMBERS

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

Executive Director

George Eades, eng.

Secretary to the Board/Vice-Treasurer

Jill A. Wood

GENERAL COUNCIL

Brian Stewart,
Hughes, Stewart and Race, PC

ACCOUNTANT

Seyfarth & Seyfarth CPAs, PLLC

September 17, 2009

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, 2009, 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, 2009, 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, 2009 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 and 2006. This fee increase created positive operating results. Of the past nine years, this is the eighth 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. These positive results are directly attributable to the introduction of flow control in 2008.

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 1997, the Authority's auditor has been the firm of McKee, Empsall & Seyfarth, CPAs PLLC, of Malone, New York (currently Seyfarth and Seyfarth CPA's).

Acknowledgements

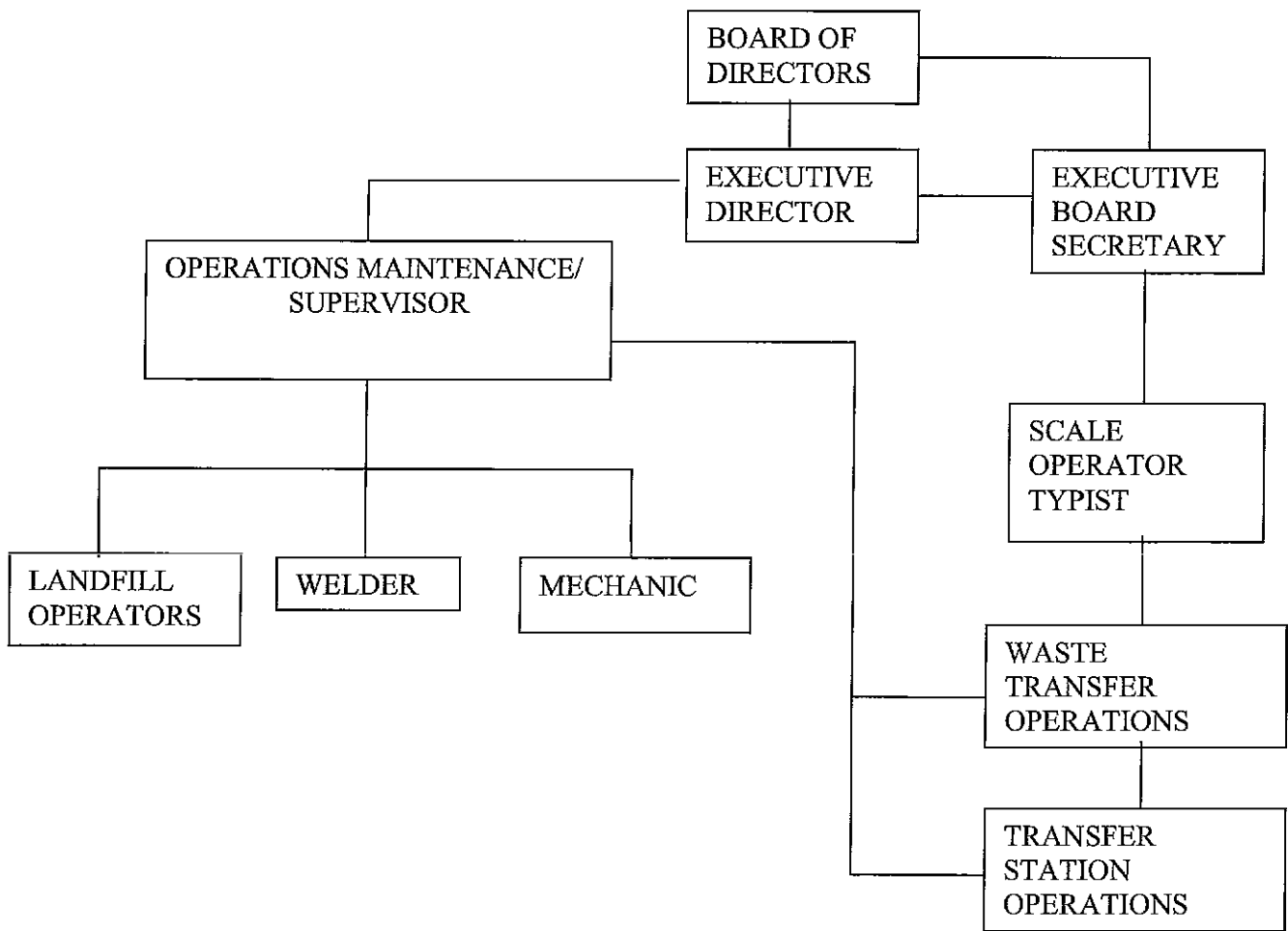
The help of staff and our certified public accountants is gratefully acknowledged. Special thanks to Jill A. Wood whose continuing efforts result in the successful conduct and completion of this audit.

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, 2008. 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

As discussed in the 2008 annual report, the Authority did not anticipate receiving significant revenues from contaminated soils in 2009 so overall revenue for the year was significantly lower than the previous two years. However, with flow control our regular revenue stream was somewhat higher than previous years due to the increased tonnage of in county waste received at the landfill. With this change, we were able to finish the year with a reasonable surplus.

The liabilities of the Authority exceeded its assets by \$572,345. 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. The current fund deficit of \$572,345 is 36% less than the previous year. Since 2005, management has reduced the deficit \$4,881,799 or an average of \$1,220,449 annually. Management anticipates that the fund deficit may be retired in the next fiscal year.

The capital assets of the Authority after depreciation, include land, buildings and equipment in the amount of \$7,235,239. All investments including those for closure, post closure amount to \$8,261,504.

In 2009, the Authority's revenues exceeded its expenses by \$318,245. This is significantly less than 2008 when large volumes of contaminated soil contributed significantly to revenues. A price increase instituted in 2005 and the 2006 tonnage increase and flow control have allowed management to maintain a positive cash flow.

- In December of 2004, the Authority formalized an agreement with the Village of Malone which ensures the Authority access to the Malone WTP for the disposal of leachate. We are entering into the fifth year of this five year agreement. The Authority and the village continue to realize cost savings. We have developed a very good working relationship. This five year agreement with an option to renew ensures the Authority a cost effective manner of dealing with leachate.
- Restricted cash and cash equivalents of the Authority increased by \$658,523 during the fiscal year of 2009. This reflects the continuing allocations of funds to cell 4 expansion, closure, post closure funds and equipment funds.
- 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 25 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 \$318,245 in the fiscal year 2009. A condensed summary of the Authority's financial position for fiscal years 2009, and 2008, is presented below.

	2009	2008
Assets		
Current assets	\$ 721,909	\$ 779,183
Investments	8,261,504	7,038,675
Other Assets	2,412,951	2,264,602
Capital Assets	<u>7,235,293</u>	<u>5,204,463</u>
Total Assets	<u>\$ 18,631,657</u>	<u>\$ 15,286,923</u>
Liabilities		
Current Liabilities	\$ 3,657,839	\$ 3,034,401
Bonds Payable	12,640,000	10,255,000
Long-term Debt	343,887	498,461
Other Liabilities	<u>2,562,366</u>	<u>2,389,741</u>
Total Liabilities	19,204,092	16,177,603
Fund Deficit	(572,435)	(890,680)
Total Liabilities and Deficit	<u>\$ 18,631,657</u>	<u>\$ 15,286,923</u>

Summary of Statement of Activities

A summary of revenues, expenses and excess of revenues over expenses for the years ending 2009 and 2008, is presented below:

Total Operating Revenue	\$ 10,210,732	\$ 10,875,308
Total Operating Expense	<u>9,373,224</u>	<u>8,800,973</u>
Operating Income	837,508	2,074,335
Other Income (Expense)	<u>519,263</u>	<u>(302,502)</u>
Excess of Revenues Over Expenses	<u>\$ 318,245</u>	<u>\$ 1,771,833</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. Some of the funds set aside for Cell 4 construction will be redeployed for

the needs of the long term footprint and site expansion. 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 are currently working on a footprint expansion to meet the long term requirements of the facility.

In the 2009 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 2010 fiscal year, the Authority and consulting engineer will begin 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 will do detailed hydro-geologic studies in the fall of 2009. It is anticipated the work required for the footprint expansion and submission of documents for the permit will be completed in fiscal year 2010. 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

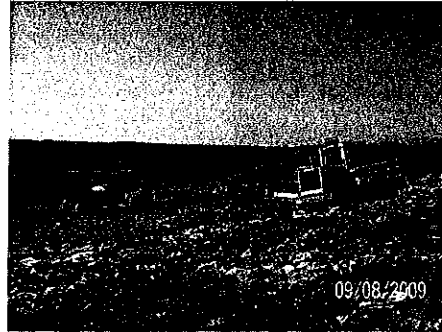
Capital Assets

The Authority continues to invest in capital assets. During the fiscal year 2009, investments were made to maintain the Authority's ability to meet its commitment to the community. In this fiscal year the Authority major investment in capital assets was the construction of cell 4 at a cost of \$4,691,600. This will provide capacity until 2014. The Authority acquired a tractor backhoe to supplement the equipment fleet at the landfill.

Cell Addition Fund (“CAF”)

The Authority’s policy for funding the CAF is to provide sufficient monies to fund all future cell additions, without the need for further borrowing.

The Authority currently uses approximately one acre per year of cell space. Cell 4 is 5 acres in size which allows us five years to set aside enough money to meet the requirements of cell expansion.



As of June 30, 2009, the balance held in the CAF was approximately \$ 61,000. We currently have about 8 months capacity left in cell 3 which is 5 months more than anticipated in 2008. This capacity is due to the high densities we are achieving with the use of the two compactors. Cell 4 was completed in the fall of 2008 and permitted for use in June 2009. Cell four’s estimated capacity is 425,000 tons or about 5 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 several new roll-off containers to replace and supplement our waste transfer capacity. A used tractor backhoe was acquired to supplement the existing equipment at the landfill. Major pieces of equipment were repaired and funds set aside for the purchase of a used truck and tanker to handle the increased volume of leachate anticipated with the opening of cell 4. The authority anticipates replacing a roll-off truck in 2010. This coincides with our long-term objectives of replacing equipment on a timely basis.

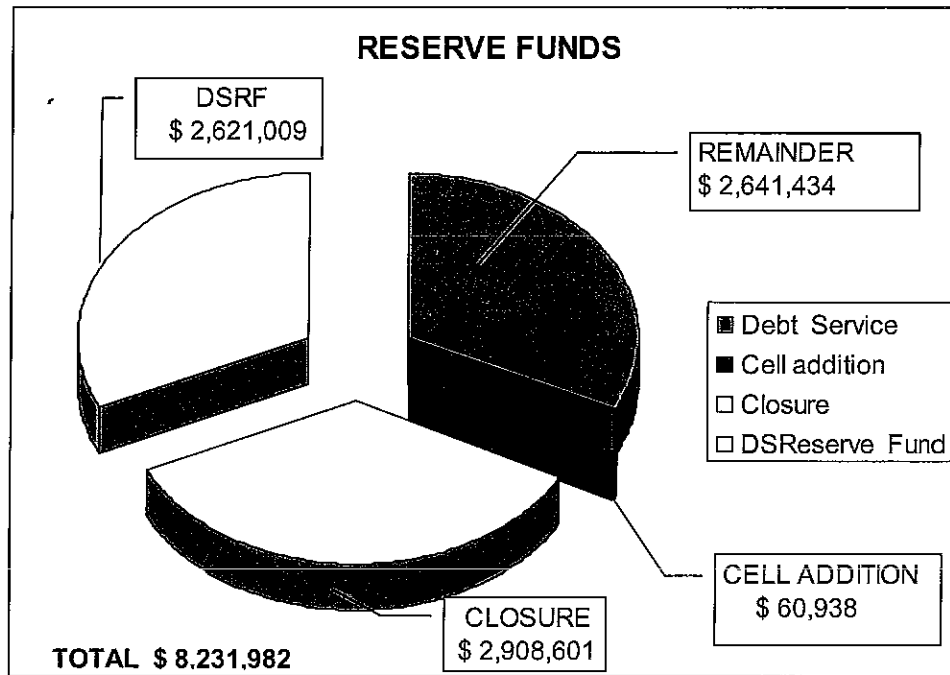
As of June 30, 2009, the balance held in the ERF was approximately \$ 126,000.



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, 2009, the balance held in the Debt Service Reserve Fund was \$ 2,621,009 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+. Additional information on the bonds payable may be found in Note D – Bonds Payable of the notes to the financial statements on page 28 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 30 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 \$ 223,350 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, 2009, the balance held in the Closure and Post Closure funds was approximately \$ 2,908,601.

Rate Stabilization Fund

As of June 30, 2009, the balance in the RSF was approximately \$ 99,164.

HISTORICAL AND STATISTICAL DATA

Capacity

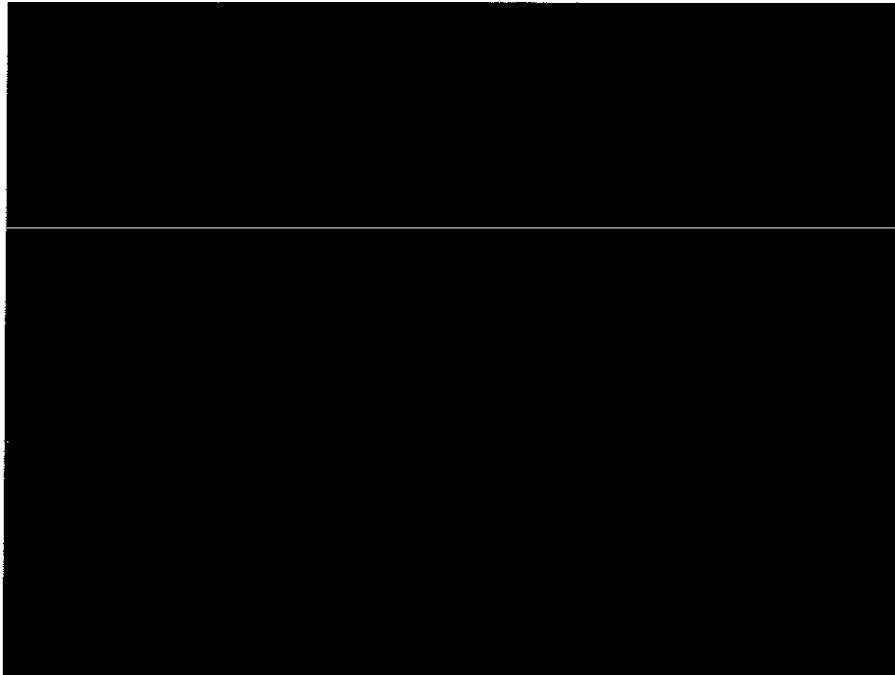
Existing Capacity. The permitted capacity of cell 4 is 425,000 cubic yards. It is available for use currently, however remaining capacity in cell 3 which will allow us to postpone use of cell 4 until December 2009 or later. The remaining capacity in cell 2 and 3 is about 55,000 cubic yards. The total remaining permitted capacity is 480,000 cubic yards, or 6 years of life, at current volume usage of 80,000 cubic yards per year. The Authority anticipates using capacity at a rate of 90,000 cubic yards per year. This will leave a life of 5.3 years.

Potential Capacity. The Authority adopted a Final Environmental Impact Statement on February 26, 2009 which 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 in permitted and constructed in phases of about 25 acres 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 by fiscal year 2011.

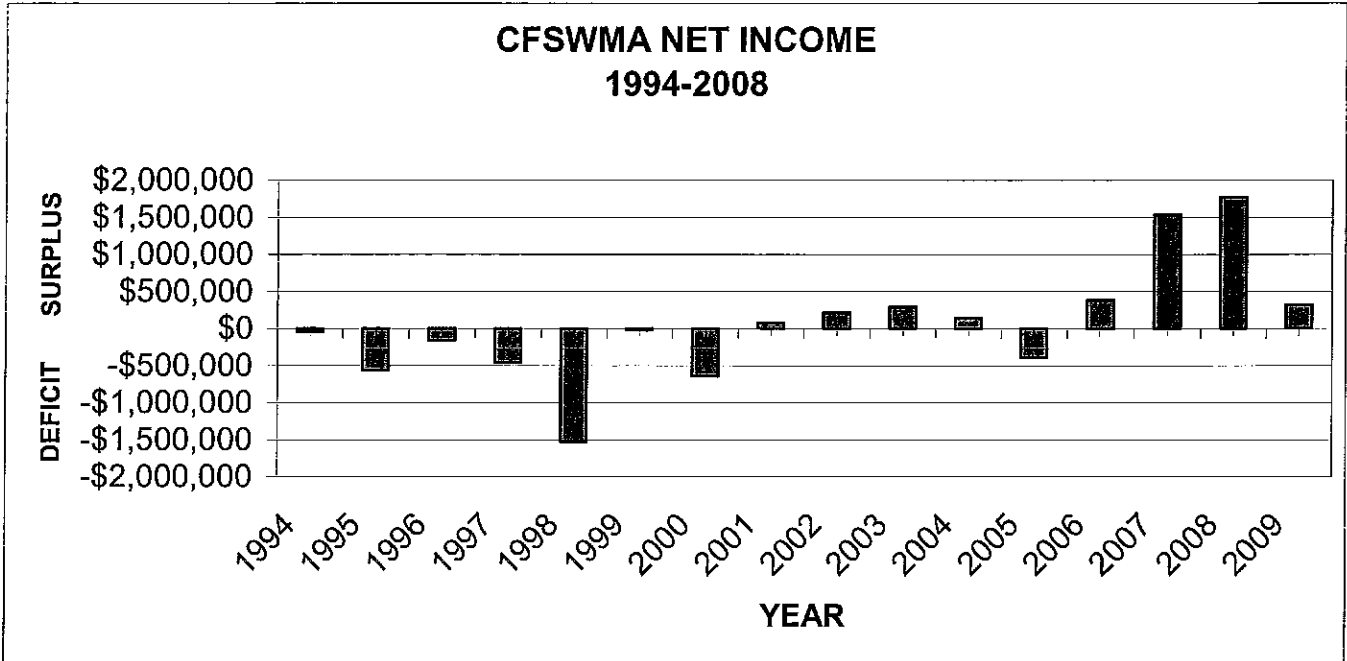
The Authority believes that this time frame will ensure all engineering and design studies required for cell construction of cell 5 will ensure adequate capacity is available as required.

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”).



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

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, 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.

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 2008 **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>
MSW									
Franklin County	21,964	25,449	24,535	23,776	22,513	26,603	25,457	28,538	29,754
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>18,305</u>
TOTAL	44,812	44,374	46,554	47,525	45,399	43,016	42,198	47,635	48,059
BUD									
Franklin County	8,724	9,220	8,750	12,152	1,4959	17,945	14,825	11,998	8,644
ARRA ¹	17,615	13,489	12,340	16,599	12,701	4,251	13,083	1,272	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>40,946</u>	<u>10,366</u>
TOTAL	29,662	31,377	29,164	31,326	33,196	27,431	40,897	54,216	19,279
TOTAL TONS	74,747	75,751	75,718	78,851	80,820	70,357	83,095	101,851	67,338

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:

<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

Although, the Authority experienced the lowest tonnages received since 1997 we are pleased that we were again able to achieve positive operating results of \$318,245. Since 2000, management has been able to show positive results eight out of nine years and since 2005 has reduced the operating deficit from \$ 5,454,144 to \$572,435.

The continuing positive operating results presented this year reflect changes over the last several years. In January 2008, the Authority instituted flow control. This is the first full year of operation with flow control and the positive results for the past year are directly attributable to the introduction of flow control in 2008.

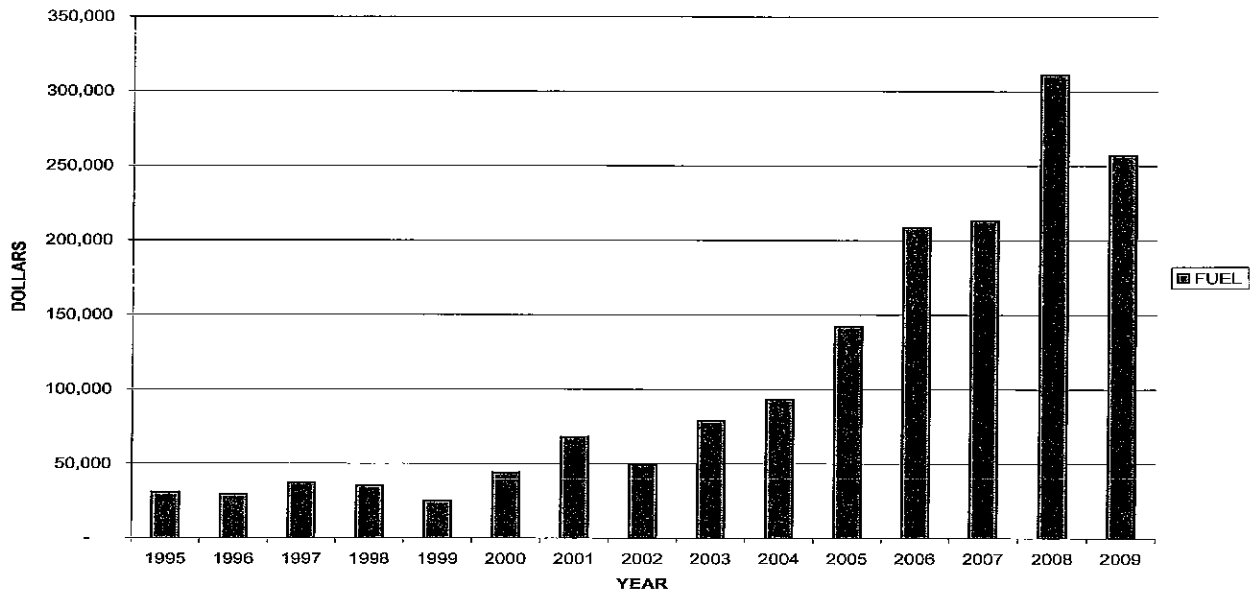
In 2006, the Authority instituted graduated tipping fees at the transfer stations which improved cash flow. Total tonnages handled at the transfer stations remained stable after the price increase. The Authority annually reviews its tipping fees. We have not had to change the tipping fees since this fee change in 2006 and if the economy recovers as anticipated don't envision a increase in fees in the upcoming year.

An increase in permitted tonnage in 2006 has allowed for better management of MSW and BUD materials which have enhanced cash flow.

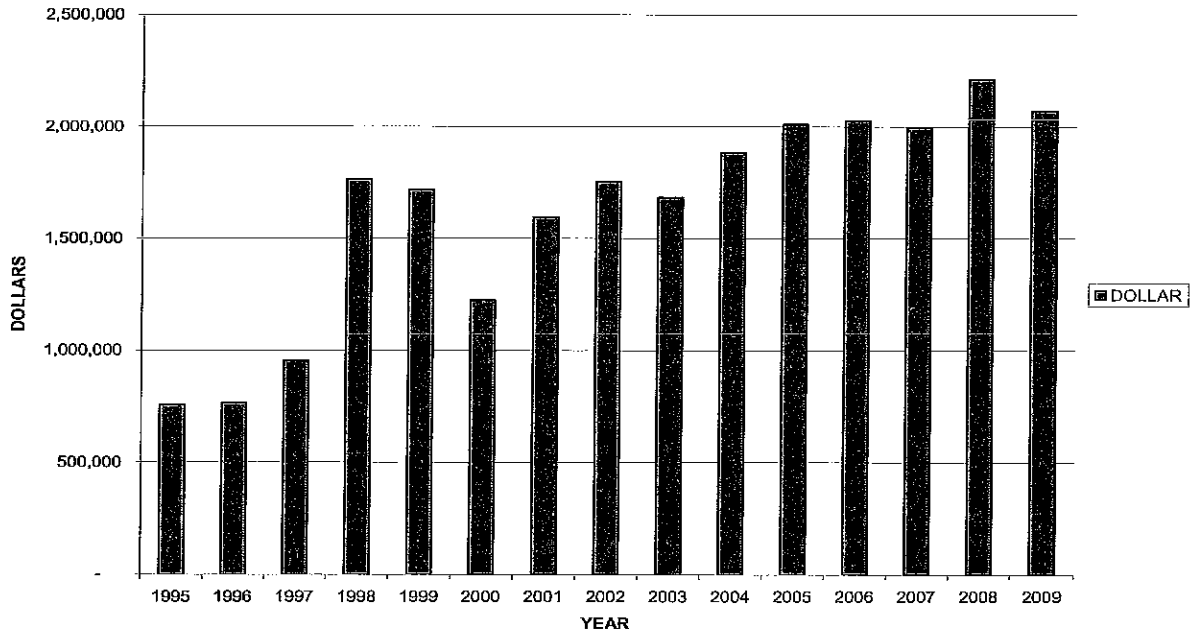
The above changes over the years along with careful management of expenses has allowed the Authority to continue to show positive results. With the completion of Cell 4, we anticipate being able to increase the volume of waste received. If we are successful this will have a positive impact on our operating results.



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 2009, 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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Property, plant and equipment, at cost		
Land improvements	\$ 2,240,195	\$ 2,178,938
Landfill cell	13,166,624	10,158,592
Buildings	3,000,658	3,000,658
Machinery, equipment, vehicles	3,006,198	2,980,509
	<u>21,413,675</u>	<u>18,318,697</u>
Less: accumulated depreciation	<u>(14,444,842)</u>	<u>(13,380,694)</u>
	6,968,833	4,938,003
Land	266,460	266,460
Net property, plant and equipment	<u>7,235,293</u>	<u>5,204,463</u>
Investments		
Cash and cash equivalents, restricted	4,835,197	4,176,674
Investments, restricted	3,396,785	2,832,785
Accrued interest on restricted bonds	29,522	29,216
Total investments	<u>8,261,504</u>	<u>7,038,675</u>
Current assets		
Cash and cash equivalents, unrestricted	220,177	366,017
Accounts receivable	460,422	396,408
Prepaid expenses	41,310	16,758
Total current assets	<u>721,909</u>	<u>779,183</u>
Other assets		
Capitalized engineering and financing costs, net of amortization of \$4,109,631 and \$3,809,189 respectively	<u>2,412,951</u>	<u>2,264,602</u>
Total assets	<u>\$ 18,631,657</u>	<u>\$ 15,286,923</u>

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Fund Deficit and Liabilities		
Fund deficit	<u>\$ (572,435)</u>	<u>\$ (890,680)</u>
Bonds payable , less current installments	<u>12,640,000</u>	<u>10,255,000</u>
Long-term debt , less current installments	<u>343,887</u>	<u>498,461</u>
Other liabilities		
Environmental and closure accrual for landfill	<u>2,562,366</u>	<u>2,389,741</u>
Current liabilities		
Current installments of bonds payable	2,405,000	1,465,000
Current installments of long-term debt	151,408	197,569
Accounts payable and accrued expenses	1,055,870	1,344,807
Accrued interest payable	<u>45,561</u>	<u>27,025</u>
Total current liabilities	<u>3,657,839</u>	<u>3,034,401</u>
Commitments and contingencies		
Total fund deficit and liabilities	<u><u>\$ 18,631,657</u></u>	<u><u>\$ 15,286,923</u></u>

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

County of Franklin Solid Waste Management Authority
Statements of Activities
For the Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues		
Solid waste fees	\$ 4,411,988	\$ 5,682,033
Recycling fees	108,986	133,951
Service fees-Franklin County	5,689,758	5,059,324
Total operating revenues	10,210,732	10,875,308
Operating expenses		
Operations and maintenance	2,072,202	2,211,646
General and administration	332,821	309,036
Depreciation	1,064,148	1,022,196
Amortization	214,295	198,771
Service fees-Franklin County	5,689,758	5,059,324
Total operating expenses	9,373,224	8,800,973
Operating income	837,508	2,074,335
Other income (expenses)		
Interest income	157,930	256,235
Interest expense	(739,611)	(579,172)
Miscellaneous	62,418	20,435
Total other income (expenses)	(519,263)	(302,502)
Excess of revenues over expenses	318,245	1,771,833
Fund deficit, beginning of year	(890,680)	(2,662,513)
Fund deficit, end of year	\$ (572,435)	\$ (890,680)

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Cash received from customers	\$ 4,519,378	\$ 6,178,280
Cash payments for goods and services	(1,801,174)	(805,640)
Cash payments to employees for salaries and benefits	(1,193,504)	(1,139,046)
Net cash provided by operating activities	<u>1,524,700</u>	<u>4,233,594</u>
Cash flows from noncapital financing activities		
Cash payments from Franklin County	5,689,758	5,059,324
Cash payments to Franklin County	(5,689,758)	(5,059,324)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital financing activities		
Proceeds from issuing long-term debt	5,640,000	648,263
Payments for capital acquisitions	(3,094,978)	(2,539,924)
Principal repayments	(2,515,735)	(1,576,855)
Interest paid	(634,928)	(451,113)
Net cash used by capital financing activities	<u>(605,641)</u>	<u>(3,919,629)</u>
Cash flows from investing activities		
Cash receipts from interest	157,624	256,228
Purchase of US Treasury note	(564,000)	-
Net cash provided (used) by investing activities	<u>(406,376)</u>	<u>256,228</u>
Change in cash	512,683	570,193
Cash and cash equivalents, beginning of year	<u>4,542,691</u>	<u>3,972,498</u>
Cash and cash equivalents, end of year	<u>\$ 5,055,374</u>	<u>\$ 4,542,691</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 899,926	\$ 2,094,770
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in accounts receivable	(64,014)	341,861
(Increase) decrease in prepaid expenses	(24,552)	26,078
Increase in capitalized engineering and financing costs	(448,791)	(418,814)
Increase (decrease) in accounts payable and accrued liabilities	(288,937)	763,714
Increase in environmental closure accrual	172,625	205,018
Amortization expense	214,295	198,771
Depreciation expense	1,064,148	1,022,196
Total adjustments	<u>624,774</u>	<u>2,138,824</u>
Net cash provided by operating activities	<u>\$ 1,524,700</u>	<u>\$ 4,233,594</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, 2009

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, 2009

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, which was approximately \$41,000 at June 30, 2009.

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, except for the landfill cell, which is depreciated based on capacity used. The estimated lives used in determining depreciation for property, plant and equipment (other than the landfill cell) 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 \$2,070,601 and \$1,827,082 at June 30, 2009 and 2008, 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, 2009

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.

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	828,640	-	828,640	857,417
US Treasury note	9,360	-	9,360	9,360
US Treasury note	564,000	-	564,000	579,797
Tri-Party repo bond	846,065	-	846,065	846,065
Tri-Party repo bond	1,124,520	-	1,124,520	1,124,520
	<u>\$ 3,396,785</u>	<u>\$ -</u>	<u>\$ 3,396,785</u>	<u>\$ 3,441,359</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, 2009 and 2008, is as follows:

	2009	2008
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	420,774
Deferred amount on defeased 1993 bond	1,572,481	1,572,481
Expansion/Ton increase costs	927,999	572,352
	<u>\$ 6,522,582</u>	<u>\$ 6,073,791</u>

**County of Franklin Solid Waste
Management Authority**
Notes to Financial Statements
June 30, 2009

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 \$214,295 for the year ended June 30, 2009 and \$198,771 for the year ended June 30, 2008. Amortization associated with bond defeasance and discounts, recorded as interest expense, was \$86,147 for the year ended June 30, 2009 and \$129,610 for the year ended June 30, 2008.

Note D - Bonds Payable

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

	2009	2008
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 15 through 2015	\$ 1,095,000	\$ 1,235,000
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 15, 1996 through 2015	3,105,000	3,575,000
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 1, 2004 through 2015	6,055,000	6,910,000
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 1, 2009 through 2014	4,790,000	-
	15,045,000	11,720,000
Less: current installments	2,405,000	1,465,000
	\$ 12,640,000	\$ 10,255,000

**County of Franklin Solid Waste
Management Authority**

Notes to Financial Statements
June 30, 2009

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, 2009 and 2008, \$7,150,000 and \$8,145,000 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,	2010	\$ 2,405,000
	2011	2,505,000
	2012	2,610,000
	2013	2,715,000
	2014	2,830,000
	2015 and thereafter	<u>1,980,000</u>
		<u>\$15,045,000</u>

Interest expense on the above indebtedness was \$626,829 and \$431,166 for the years ended June 30, 2009 and 2008, respectively. Interest paid was \$612,456 and \$433,953 for the years ended June 30, 2009 and 2008, respectively.

**County of Franklin Solid Waste
Management Authority**
Notes to Financial Statements
June 30, 2009

Note E - Long-Term Debt

Long-term debt is summarized below:

	<u>2009</u>	<u>2008</u>
Caterpillar installment loan payable in semiannual installments of \$6,561 including interest at 3.82%, due January 2009, secured by equipment	\$ -	\$ 12,583
Mack Commercial Finance installment loan payable in semiannual installments of \$13,083 including interest at 4.99%, due October 2009, secured by equipment	12,941	37,546
Caterpillar installment loan payable in monthly installments of \$3,647 including interest at 7.8%, due March 2009, secured by equipment	-	30,709
Ingersall Rand installment loan payable in semiannual installments of \$7,597 including interest at 6.3%, due February, 2011, secured by equipment	27,491	40,357
1st Source Bank installment loan payable in semiannual installments of \$3,270 including interest at 4.99%, due January 2012, secured by equipment	15,112	20,656
Koch Financial Corp. installment loan payable in semiannual installments of \$15,874 including interest at 5.46%, due August 2012, secured by equipment	99,620	124,874
Caterpillar installment loan payable in semiannual installments of \$52,645 including interest at 4%, due August 2012, secured by equipment	<u>340,131</u>	<u>429,305</u>
	495,295	696,030
Less: current portion	<u>151,408</u>	<u>197,569</u>
	<u>\$ 343,887</u>	<u>\$ 498,461</u>

**County of Franklin Solid Waste
Management Authority**
Notes to Financial Statements
June 30, 2009

Interest expense incurred and paid on the above indebtedness was \$26,635 and \$18,396 for the years ended June 30, 2009 and 2008, respectively.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2009, is as follows:

For the year ending June 30,	2010	\$ 151,408
	2011	144,224
	2012	133,268
	2013	66,395
		\$ 495,295

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, 2009, is as follows:

Total landfill capacity	1,598,930 cubic yard:
Total landfill capacity used through June 30, 2008	1,114,542 cubic yard:
Percentage of total landfill capacity	70%
Estimated closure and post-closure costs	3,675,988
Environmental and closure accrual	2,562,366
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, 2009

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:

2009	\$ 68,036
2008	65,758
2007	76,293

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, 2009 and 2008, total \$5,689,758 and \$5,059,324 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, 2009 and 2008, \$5,689,758 and \$5,059,324 respectively. The Authority owed Franklin County \$503,463 and \$413,676 at June 30, 2009 and 2008, 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, 2009

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, 2009 the Authority recognized positive cash flows from operating activities of \$1,524,700. 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, 2009 and 2008

	2009		2008	
	Operations & Maintenance	General & Administration	Operations & Maintenance	General & Administration
Salaries, wages and compensated absences	\$ 759,686	\$ 146,803	\$ 731,321	\$ 136,964
Board expenses	-	462	-	24
Host community benefits	-	52,085	-	37,387
Payroll taxes and employee benefits	357,975	29,681	351,243	26,987
Environmental and closure	173,438	-	205,018	-
Environmental monitoring	32,355	-	38,801	-
Fuel	256,922	-	311,149	-
Insurance	72,463	27,399	66,867	40,019
Leachate disposal	27,990	-	38,143	-
Waste disposal	4,180	-	5,585	-
Miscellaneous equipment	61,058	-	65,702	-
Office	-	6,689	152	7,070
Other contractual services	13,191	-	36,259	-
Professional fees	4,410	27,452	5,416	23,216
Recycling	69,316	-	69,616	-
Repairs and maintenance	146,574	12,728	181,587	7,581
Supplies	39,174	-	45,176	-
Telephone	6,038	1,848	5,832	1,574
Travel and conference	1,036	5,163	885	4,601
Trustee costs	-	9,500	-	9,500
Utilities	42,458	1,740	51,280	1,983
Miscellaneous	3,938	11,271	1,614	12,130
	\$ 2,072,202	\$ 332,821	\$ 2,211,646	\$ 309,036

Seyfarth & Seyfarth CPAs, P.C.
17 Harrison Place
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, 2009, and have issued our report thereon dated September 17, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Franklin Solid Waste Management Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Franklin Solid Waste Management Authority's financial statements that is more than inconsequential will not be prevented or detected by the County of Franklin Solid Waste Management Authority's internal control. We consider the deficiencies described in the accompanying comments to management to be significant deficiencies in internal control over financial reporting: 00-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Franklin Solid Waste Management Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant weaknesses described above is a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 17, 2009

**County of Franklin Solid Waste
Management Authority**
Comments to Management
June 30, 2009

**08-1 Board Oversight
Status - Corrected**

Condition

Due to the segregation of duties issue discussed in Comment 00-1, it is especially important for the Board to perform and document its oversight function over financial matters. We noted that the Treasurer's review of bank statements, bank reconciliations and invoices has not been done subsequent to the most recent election of officers. This is an important control to mitigate the segregation of duties issue.

While the minutes note that the Board receives monthly financial reports, the Board's review and acceptance of the reports is not documented in the minutes. Without documentation there is no evidence that the Board is performing this function. There is also no documentation that the Treasurer reports the results of his review to the Board.

Recommendation

We recommend that the Treasurer immediately begin performing the review procedures described above and report the results of the reviews to the Board. The Board should review and accept the monthly financial reports, and the minutes should reflect this process. It would be beneficial for job descriptions to be developed for each Board office so that important duties continue to be performed after transitions.

Management's Response

The Treasurer has since begun reviewing bank statements and reconciliations. Reviewing the copies of checks attached to the statements gives the Treasurer a chance to review invoices in question. Also, due to a change in the Cash Management Policy, the Board reviews an abstract of the monthly bills before authorization is made for them to be paid. The Treasurer will also report his review to the Board each month.

During last year's audit, it was recommended that the Board acknowledge receipt of each month's financial statements so that it would be documented in the monthly minutes. Since then, the Board has done so and the monthly minutes reflect this. In light of the auditor's recommendation, the Board should have no problem passing a resolution that accepts those statements.

Management will collect for the Board's review and approval a compilation of the job descriptions and/or duties of officers that already exist in other documents.

**08-2 Reconciliation Procedures
Status – Corrected**

Condition

During our testing of property and equipment, we found differences between the recorded balances of fixed assets and the amounts per the detail schedules. The Peachtree depreciation/fixed asset module was not reconciled to the general ledger prior to closing the books for 2008.

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Long-term debt balances also were not reconciled to supporting amortization schedules and other documentation.

Recommendation

We recommend that property and equipment reconciliations be performed each month or at least quarterly while any discrepancies can be more easily researched and resolved.

We recommend establishing a notes payable register and maintaining it on a current basis. This register would include pertinent data about each open note payable, such as date, amount, payee, maturity dates, interest rate, collateral, and payment history with respect to principal and interest. In addition, copies of paid and unpaid notes could be included in the register. As a control factor, unpaid principal amounts per the register should be reconciled on a periodic basis to the general ledger.

Management's Response

Management does work diligently to have records ready for audit as soon as possible to ensure that the Board has the audited financial statements as early as possible in the new fiscal year.

Due to the abnormal workload in July of this year which included financing new 2008 Bonds, Cell No. 4 construction and the development of the Draft Environmental Impact Statement for landfill expansion, insufficient time was available for preparation prior to the audit beginning July 21st. More frequent reconciliation of the fixed assets will be made as this may have aided at year-end.

Note payable schedules have been prepared for a monthly quick reference check to reconcile aged liabilities on equipment payments.

**08-3 Financial Statement Closing Process
Status – Corrected**

Condition

Management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP).

The Authority does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with generally accepted accounting principles. During our audit we noted that certain amounts reported for payments and receipts related to the Franklin County Service Agreement had been netted, resulting in understating both revenues and expenses by approximately \$430,000. While this had no effect on the excess of revenues over expenses it understates the amounts reported as related party transactions. We also noted that approximately \$661,000 was not accrued for services performed in June but not billed until late July and August. These services related to the construction of Cell 4 and the expansion study. The financial statements were corrected for these issues.

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Recommendation

Implementing an integrated internal control system is an on-going process. As such, we continue to recommend that management assess its internal control system and implement additional controls appropriate to the size and needs of the organization. We also recommend that the Authority develop a process for estimating unbilled costs for large construction projects at the end of the year.

Management's Response

The type of entry that caused this error is more difficult to detect without a more in depth review. As stated in these notes earlier and for many years now, the Authority's office staff is small and a continuous in depth review of all records is not always feasible. Management has prepared a monthly schedule to ensure the Franklin County Services Payment will be posted correctly. Also, staff will assess any pending liabilities near year-end to better represent actual costs. Management will try to continue to improve its internal controls by creating tools to better manage reporting accuracy.

**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.

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**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.