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Raymond A. Mercer, CPA 1931-1983

November 10, 2021

To the Board of Directors
County of Franklin Solid Waste Management Authority
Constable, New York

We have audited the consolidated financial statements of the business-type activities of County of Franklin Solid Waste Management Authority (the "Authority") for the years ended June 30, 2021 and 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 21, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note I to the financial statements. All new accounting policies incorporated in applicable GASB statements were adopted and the application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by Franklin County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Company's consolidated financial statements were:

Management's estimate of the depreciation is based on estimated lives and costs of the Company's capital assets. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's consolidated financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Franklin County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. As discussed in the Schedule of Findings and Questioned Costs in the audit report, beginning on page 56, we have documented significant deficiencies.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic consolidated financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplement information as listed in the table of contents, which accompany the consolidated financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the County of Franklin Solid Waste Management Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

R.A. Mercer & Co., P.C.

R.A. Mercer & Co., P.C.
West Seneca, New York

**COUNTY OF FRANKLIN SOLID WASTE
MANAGEMENT AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
 County of Franklin Solid Waste Management Authority
 Constable, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County of Franklin Solid Waste Management Authority (the "Authority") as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the County of Franklin Solid Waste Management Authority, as of June 30, 2021 and 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial statements reflect a prior period adjustment which resulted from management's decision to reevaluate the assumptions and methodologies used for calculating the closure and post-closure liabilities. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Supplementary Information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

West Seneca, New York
November 10, 2021

R.A. Mercer & Co., P.C.
R.A. Mercer & Co., P.C.

The Authority Board Members

Warren Gaggin, Chairman

Boyce Sherwin, Treasurer

Kip Cassavaw

Dean Lefebvre

Paddy Wheeler

C. Curtis Smith

Brandon Titus

Executive Director

Todd Perry

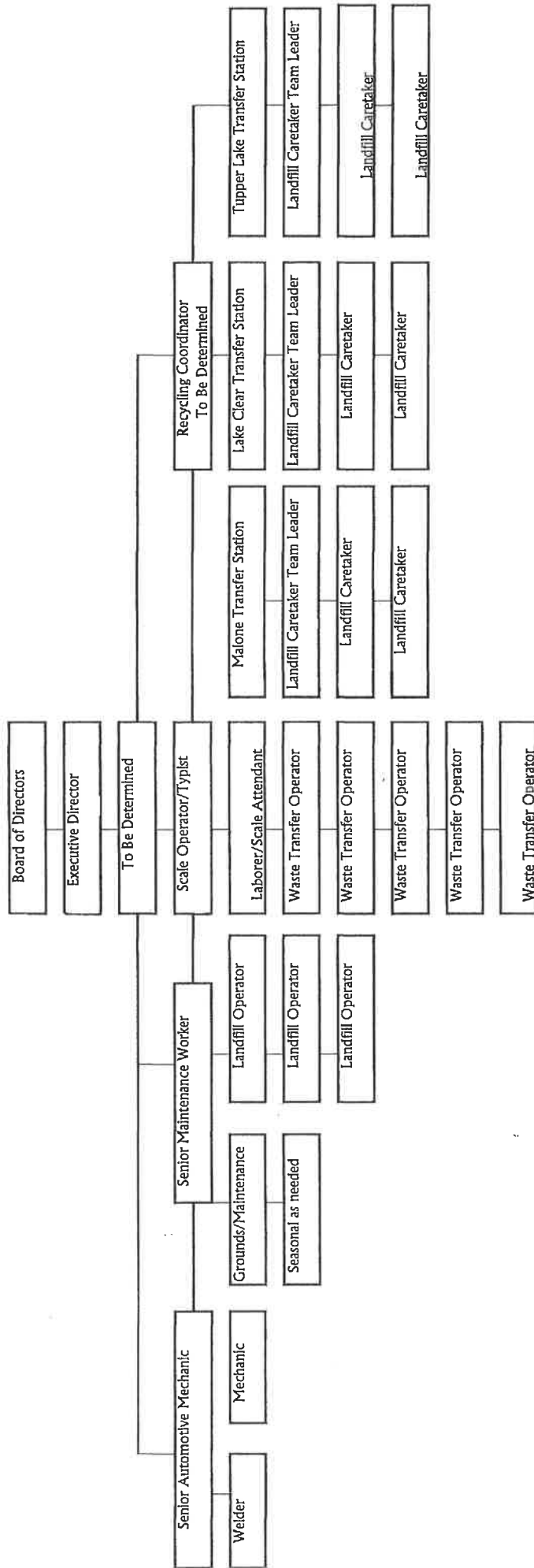
General Counsel

Brian Stewart

Auditors

R.A. Mercer & Co., P.C.

CFSWMA ORGANIZATION 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 years ending June 30, 2021 and 2020. 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

For the period ending June 30, 2021

- In 2021 the Authority's net position increased by \$2.7 million, due to higher-than-average landfill volumes.
- Total operating revenues were essentially the same as in 2020, increasing by just over \$5,000 while operating expenses decreased by \$450 thousand compared to the prior year.
- The Authority invested in \$3.8 million in capital assets during 2021.
- The Authority repaid approximately \$1.4 million in long-term debt during 2021.

For the period ending June 30, 2020

- In 2020 the Authority's net position increased by \$2.5 million from operations, due to higher-than-average landfill volumes.
- Management recorded a prior period adjustment to net position in the amount of \$5.1 million, due to a update in the methodologies and assumptions used in calculating the Authority's closure and post-closure costs.
- Total operating revenues increased by \$1.9 million in 2020, while operating expenses decreased by \$517 thousand compared to the prior year.
- The Authority invested in \$3.3 million in capital assets during 2020.
- The Authority repaid approximately \$1.2 million in long-term debt during 2020.

Management continues to aggressively price beneficial use materials. The Authority's objective is to receive optimum pricing, while ensuring materials are not shipped to our competitors due to a significant price differential.

Overview of the Financial Statements

The financial report consists of management's discussion and analysis, the statements of net position, statements of revenue, expenses, and changes in net position, statements of cash flows, and the notes to the financial statements. The statements of net position provide a record or snapshot of the assets, deferred outflows of resources, liabilities and deferred inflows of resources at the close of each year. They present the financial position of the Authority on an accrual basis utilizing historical costs. The statements of revenue, expenses, and changes in net position present the results of the business

activities of the Authority over the course of each year. The statements of cash flows are related to the other financial statements by the way they analyze changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources and their effect on cash and equivalents over the course of each year. The statements of cash flows are divided into four categories: operating, investing, non-capital and related financing and capital and related financing. The accompanying notes to the financial statements provide useful information regarding the Authority's significant accounting policies; explain significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events, if any.

Statement of Net Position

A condensed summary of the Authority's net position for fiscal year 2021, 2020, and 2019 is presented below.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current Assets	\$ 1,332,670	3,985,521	912,158
Restricted Assets	16,487,220	15,603,153	11,786,223
Capital Assets	<u>21,257,719</u>	<u>18,972,090</u>	<u>18,729,329</u>
Total Assets	<u>39,077,609</u>	<u>38,560,764</u>	<u>31,427,710</u>
Deferred Outflows of Resources	<u>1,155,885</u>	<u>812,881</u>	<u>567,907</u>
Liabilities:			
Current Liabilities	2,824,849	3,402,575	3,319,660
Non Current Liabilities	25,355,088	28,238,607	23,154,017
Total Liabilities	<u>28,179,937</u>	<u>31,641,182</u>	<u>26,473,677</u>
Deferred Inflows of Resources	<u>1,622,665</u>	<u>71,298</u>	<u>577,488</u>
Net Position	<u>\$ 10,430,892</u>	<u>7,661,165</u>	<u>4,944,452</u>

The Authority's total assets increased by approximately \$517 thousand when compared to 2020. The increase is attributed to Agency's financial performance in 2021, as total net position increased by \$2.7 million year over year. Total deferred outflows of resources increased by \$343 thousand from the prior year, in conjunction with the decrease in the Authority's net pension liability. The Authority participates in the New York State and Local Employees' Retirement System (System). The System's net pension liability is measured as of March 31. The measurement date for the 2020 fiscal year fell in proximity to when the COVID-19 health pandemic had adversely impacted financial markets. The result was a larger unfunded portion of the pension liability and larger proportionate liability for participating members at June 30, 2020. By March 31, 2021, the markets had recovered substantially so the unfunded liability was reduced by a significant amount (approximately \$1.3 million).

Excluding the effects of the Authority's net pension liability, total liabilities decreased by approximately \$2.2 million. This decline can be attributed to long-term debt reduction of \$1.4 million and decreases in current liabilities, including accounts payable, accrued expenses, and retainage payable.

Statement of Revenues, Expenses and Changes in Net Position

A summary of revenues, expenses and changes in net position for the years ending 2021, 2020, and 2019, is presented below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Operating Revenues	\$ 9,094,634	9,088,866	7,230,000
Total Operating Expenses	<u>5,577,987</u>	<u>6,028,314</u>	<u>6,300,498</u>
Operating Income	3,516,647	3,060,552	929,502
Other Income (Expense)	(746,920)	(561,992)	(711,349)
Prior Period Adjustment	<u>-</u>	<u>5,113,881</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 2,769,727</u>	<u>7,612,441</u>	<u>218,153</u>

The financial operations of the Authority continued to improve during 2021. Revenues remained consistent with 2020. The Authority was able to reduce its expenses at a consistent level year over year.

CAPITAL ASSET ADMINISTRATION

The Authority continues to invest in capital assets. During 2021 and 2020, the Authority capitalized construction and engineering costs incurred to improve and upgrade landfill cell 6, as well as vehicle and equipment purchases, and costs incurred to upgrade the Authority's information technology infrastructure. During 2019, the Authority purchased and installed a radiation detection system and capitalized improvements made to its compactor. A summary of the Authority's capital assets is presented below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Buildings	\$ 8,544,379	8,544,379	8,544,379
Landfill cells	28,321,259	24,845,232	21,541,775
Vehicles and equipment	8,155,256	7,851,383	7,968,888
Land improvements	4,565,536	4,565,536	4,565,536
Accumulated depreciation	<u>(30,393,690)</u>	<u>(28,899,419)</u>	<u>(27,435,234)</u>
Total Depreciable	19,192,740	16,907,111	15,185,344
Land	<u>2,064,979</u>	<u>2,064,979</u>	<u>2,064,979</u>
Total capital assets	<u>\$ 21,257,719</u>	<u>18,972,090</u>	<u>17,250,323</u>

LONG-TERM DEBT ADMINISTRATION

Authority issued bonds were used to construct buildings, systems and land improvements associated with landfill cells within the facility. The Authority uses capital leases to finance various vehicles and equipment.

Total bonds outstanding, exclusive of bond premiums, was \$25,990,000 and \$27,245,000 as of June 30, 2021 and 2020, respectively. Total obligations under capital leases payable were \$258,137 and \$226,834 as of June 30, 2021 and 2020, respectively.

During 2021, the Authority repaid \$1,255,000 in bonds and \$142,982 in capital lease obligations, for a total reduction due to principal payments of \$1,397,982 in long-term debt. Additionally, during 2021 the Authority acquired a new capital lease in the amount of \$174,285

WASTE QUANTITIES AND CONTROL

The following table summarizes waste received at the Landfill in tons from 2012 through 2021 fiscal years.

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 2004 through 2020 fiscal years:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
MSW										
Franklin County	38,259	32,289	31,932	33,787	34,385	34,209	34,566	33,198	37,246	41,984
Out-of-County	<u>19,857</u>	<u>24,835</u>	<u>18,837</u>	<u>18,702</u>	<u>13,185</u>	<u>22,768</u>	<u>23,134</u>	<u>24,207</u>	<u>52,931</u>	<u>45,728</u>
Total	58,116	57,124	50,769	52,489	47,570	56,977	57,700	57,405	90,177	87,712
BUD										
Franklin County	4,283	1,870	1,856	1,729	7,915	11,612	2,966	5,940	3,908	6,577
Other	<u>11,617</u>	<u>17,064</u>	<u>25,740</u>	<u>23,093</u>	<u>24,950</u>	<u>14,631</u>	<u>19,026</u>	<u>25,285</u>	<u>36,075</u>	<u>28,131</u>
Total	<u>15,900</u>	<u>18,934</u>	<u>27,596</u>	<u>24,822</u>	<u>32,865</u>	<u>26,243</u>	<u>21,992</u>	<u>31,225</u>	<u>39,983</u>	<u>34,708</u>
Total tons	74,016	76,058	78,365	77,311	80,435	83,220	79,692	88,630	130,160	122,420

CURRENTLY KNOWN FACTS AND CIRCUMSTANCES

The Authority remains in a strong financial position and continues to build its net position. All of the Agency's required reserves are fully funded and debt service payments are made on time. The extent of the impact of COVID-19 on the Authority's long-term financial performance will depend on further developments such as the duration and spread of the outbreak, all of which cannot be predicted at this time.

Management of the Authority are happy to answer any other questions that may arise after reviewing this report.

Todd Perry, Executive Director
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**COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION**

	June 30,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 331,388	3,158,156
Accounts and Grants Receivable	835,382	658,076
Prepaid Expenses	165,900	169,289
Total Current Assets	<u>1,332,670</u>	<u>3,985,521</u>
Noncurrent Assets:		
Cash and Cash Equivalents - Restricted	14,820,511	13,936,444
Investments - Restricted	1,666,709	1,666,709
Total Restricted Assets	<u>16,487,220</u>	<u>15,603,153</u>
Capital Assets		
Depreciable, net	19,192,740	16,907,111
Nondepreciable	2,064,979	2,064,979
Total Capital Assets	<u>21,257,719</u>	<u>18,972,090</u>
Total Assets	<u>39,077,609</u>	<u>38,560,764</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,155,885</u>	<u>812,881</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	425,759	1,299,384
Accrued Interest	146,311	124,890
Retainage Payable	-	159,207
Bonds payable	2,190,000	1,695,000
Capital Leases Payable	62,779	124,094
Total Current Liabilities	<u>2,824,849</u>	<u>3,402,575</u>
Noncurrent Liabilities:		
Bonds Payable - Less Current Installments	24,234,482	26,096,491
Capital Leases Payable - Less Current Installments	195,358	102,740
Landfill Closure and Postclosure Monitoring Accrual	892,052	730,668
Pension contribution payable	27,867	38,637
Net Pension Liability	5,329	1,270,071
Total Noncurrent Liabilities	<u>25,355,088</u>	<u>28,238,607</u>
Total Liabilities	<u>28,179,937</u>	<u>31,641,182</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,622,665</u>	<u>71,298</u>
NET POSITION		
Restricted	16,487,220	15,603,153
Unrestricted	(6,056,328)	(7,941,988)
Total Net Position	<u>\$ 10,430,892</u>	<u>7,661,165</u>

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

**COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	June 30,	
	<u>2021</u>	<u>2020</u>
Operating Revenue:		
Solid Waste Fees	\$ 8,941,687	8,911,549
Recycling Fees	125,667	125,397
Rental and Transport Income	-	14,258
Miscellaneous Income	27,280	37,662
Total Operating Revenues	<u>9,094,634</u>	<u>9,088,866</u>
Operating Expenses:		
Operations and Maintenance	3,179,669	3,605,048
General and Administration	742,052	782,261
Depreciation	1,494,271	1,581,000
Change in Landfill Closure and Postclosure Accrual	161,995	60,005
Total Operating Expenses	<u>5,577,987</u>	<u>6,028,314</u>
Operating Income	<u>3,516,647</u>	<u>3,060,552</u>
Nonoperating Revenues (Expenses):		
Interest Income	52,513	247,041
Interest Expense	(799,433)	(809,033)
Service Fees from Franklin County	8,627,758	7,415,412
Service Fees to Franklin County	(8,627,758)	(7,415,412)
Total Nonoperating Revenues (Expenses)	<u>(746,920)</u>	<u>(561,992)</u>
Change in Net Position	2,769,727	2,498,560
Net Position - Beginning of Year	<u>7,661,165</u>	<u>48,724</u>
Prior Period Adjustment	<u>-</u>	<u>5,113,881</u>
Net Position - End of Year	<u>\$ 10,430,892</u>	<u>7,661,165</u>

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

**COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS**

	June 30,	
	2021	2020
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 8,917,328	9,255,776
Payments to Suppliers	(2,778,421)	(2,351,403)
Payments to Employees for Salaries and Benefits	(2,081,296)	(2,272,629)
Net Cash Provided by Operating Activities	4,057,611	4,631,744
Cash Flows from Noncapital Financing Activities		
Cash Payments from Franklin County	8,627,758	7,415,412
Cash Payments to Franklin County	(8,627,758)	(7,415,412)
Net Cash Provided by Noncapital Financing Activities	-	-
Cash Flows from Capital and Related Financing Activities		
Principal Repayments	(1,223,697)	(1,153,392)
Interest Paid	(890,021)	(929,096)
Acquisition and Construction of Capital Assets	(3,939,107)	(3,601,295)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(6,052,825)	(5,683,783)
Cash Flows from Investing Activities		
Interest Received on Deposits and Cash Equivalents	52,513	247,041
Net (Decrease) Increase in Cash and Cash Equivalents	(1,942,701)	(804,998)
Cash and Cash Equivalents - Beginning of Year	17,094,600	17,899,598
Cash and Cash Equivalents - End of Year	\$ 15,151,899	17,094,600

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

**COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS
(CONTINUED)**

	June 30,	
	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 3,516,647	3,060,552
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,494,271	1,581,000
Loss on asset disposition	-	690
Changes in Operating Assets - (Increase) Decrease		
Deferred outflows of resources - pension related	(343,004)	(609,520)
Accounts and Grants Receivable	(177,306)	166,910
Prepaid Expenses	3,389	(73,268)
Changes in Operating Liabilities - Increase (Decrease)		
Accounts Payable and Accrued Liabilities	(884,395)	(394,187)
Environmental Closure and Postclosure Accrual	161,384	60,005
Net Pension Liability	(1,264,742)	942,397
Deferred inflows of resources - pension related	1,551,367	(102,835)
Net Cash Provided by Operating Activities	\$ 4,057,611	4,631,744

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

COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

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

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

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

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

b. Basis of Accounting and Presentation of Financial Statements

The Authority's financial statements are prepared using the accrual basis in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows,

and liabilities and deferred inflows associated with the operations are included on the statements of net position.

Net position is classified as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances. If the balance in this category is negative, as it is with the Authority at June 30, 2021 and 2020, the negative amount is reclassified and grouped with unrestricted net position, discussed below.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets and deferred outflows and liabilities and deferred inflows that do not meet the definition of “restricted net position” or “net investment in capital assets.” This category also includes the “negative” amount of net investment in capital assets, if such a negative amount exists.

Revenues are recognized when earned, and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of the Authority are charges to customers for user services. Operating expenses include the cost of personnel and contractual services, materials and supplies, utilities, change in post-closure accrual estimate, administrative expenses, depreciation on capital assets and other costs related to solid waste administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Fair Value Measurement

The Authority reports certain assets at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

e. Cash, Cash Equivalents 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.

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. The balances at June 30, 2021 and 2020 were properly covered by FDIC insurance, collateral or invested in U.S. Treasury backed securities.

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

f. Accounts Receivable

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

g. Capital Assets, Net

Capital assets 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.

h. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as the consumption of assets by the Authority that is applicable to future a future reporting period. Deferred inflows of resources are defined as an acquisition of assets by the Authority that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resource decrease net position, similar to liabilities. The Authority reports deferred outflows and inflows of resources related to its net pension liability (See Note 7).

i. Landfill Closure and Post closure Monitoring Accrual

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 \$5,079,564 and \$4,571,576 at June 30, 2021 and 2020, 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 the landfill system. 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.

NOTE 2 – CAPITAL ASSETS

A summary of changes in capital assets for June 30, 2021 and 2020 is presents below:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Capital assets being depreciated				
Buildings	\$ 8,544,379	-	-	8,544,379
Landfill cells	24,845,232	3,476,027	-	28,321,259
Vehicles and equipment	7,851,383	303,873	-	8,155,256
Land improvements	4,565,536	-	-	4,565,536
	<u>45,806,530</u>	<u>3,779,900</u>	<u>-</u>	<u>49,586,430</u>
Less accumulated depreciation	<u>(28,899,419)</u>	<u>(1,494,271)</u>	<u>-</u>	<u>(30,393,690)</u>
Total capital assets being depreciated, net	16,907,111	2,285,629	-	19,192,740
Capital assets not being depreciated				
Land	<u>2,064,979</u>	<u>-</u>	<u>-</u>	<u>2,064,979</u>
Total capital assets, net	<u>\$18,972,090</u>	<u>2,285,629</u>	<u>-</u>	<u>21,257,719</u>

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Capital assets being depreciated				
Buildings	\$ 8,544,379	-	-	8,544,379
Landfill cells	21,541,775	3,303,457	-	24,845,232
Vehicles and equipment	7,968,888	-	(117,505)	7,851,383
Land improvements	4,565,536	-	-	4,565,536
	<u>42,620,578</u>	<u>3,303,457</u>	<u>(117,505)</u>	<u>45,806,530</u>
Less accumulated depreciation	<u>(27,435,234)</u>	<u>(1,581,000)</u>	<u>116,815</u>	<u>(28,899,419)</u>
Total capital assets being depreciated, net	15,185,344	1,722,457	(690)	16,907,111
Capital assets not being depreciated				
Land	<u>2,064,979</u>	<u>-</u>	<u>-</u>	<u>2,064,979</u>
Total capital assets, net	<u>\$17,250,323</u>	<u>1,722,457</u>	<u>(690)</u>	<u>18,972,090</u>

Significant capital asset additions during the current year included the construction work on Landfill Cell 6, vehicle and equipment purchases, and an upgrade to the Authority's information technology infrastructure. Landfill cells include the engineering and other professional service costs incurred to bring the assets into service.

NOTE 3 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the periods ending June 30, 2021 and 2020 is presented below:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Bonds Payable - Principal	\$ 27,245,000	-	(1,255,000)	25,990,000	2,190,000
Bond Premium	<u>546,491</u>	<u>-</u>	<u>(112,009)</u>	<u>434,482</u>	<u>-</u>
Total Bonds Payable	27,791,491	-	(1,367,009)	26,424,482	2,190,000
Capital Leases Payable	226,834	174,285	(142,982)	258,137	62,779
Pension contribution payable	38,637	-	(10,770)	27,867	10,770
Net Pension Liability	1,270,071	-	(1,264,742)	5,329	-
Closure and Postclosure Accrual	<u>730,668</u>	<u>161,995</u>	<u>(611)</u>	<u>892,052</u>	<u>-</u>
	<u>\$ 30,057,701</u>	<u>336,280</u>	<u>(2,786,114)</u>	<u>27,607,867</u>	<u>2,263,549</u>

	Balance July 1, 2019 As Restated	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Bonds Payable - Principal	\$ 28,135,000	-	(890,000)	27,245,000	1,695,000
Bond Premium	<u>657,883</u>	<u>-</u>	<u>(111,392)</u>	<u>546,491</u>	<u>-</u>
Total Bonds Payable	28,792,883	-	(1,001,392)	27,791,491	1,695,000
Capital Leases Payable	490,226	-	(263,392)	226,834	124,094
Pension contribution payable	49,061	-	(10,424)	38,637	10,424
Net Pension Liability	327,674	1,104,524	(162,127)	1,270,071	-
Closure and Postclosure Accrual	<u>670,663</u>	<u>60,005</u>	<u>-</u>	<u>730,668</u>	<u>-</u>
	<u>\$ 30,330,507</u>	<u>1,164,529</u>	<u>(1,437,335)</u>	<u>30,057,701</u>	<u>1,829,518</u>

NOTE 4 – BONDS PAYABLE

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

	<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rate(s)</u>	<u>Final Maturity</u>	<u>Outstanding at June 30, 2021</u>
EFC Bonds Payable	Aug-16	\$ 11,342,974	.8% to 5.0%	Jul-39	10,030,000
Revenue Bonds	May-12	4,810,000	2.0% to 5.0%	Jun-32	3,305,000
Revenue Bonds	Mar-15	8,550,000	3.0% - 5.0%	Jun-40	7,280,000
Revenue Bonds	Jun-19	6,155,000	4.0%	Jun-27	<u>5,375,000</u>
					<u>\$ 25,990,000</u>

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

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,190,000	858,732
2023	1,800,000	732,525
2024	1,870,000	668,282
2025	1,930,000	601,015
2026	2,010,000	530,825
2027-2031	6,785,000	1,831,889
2032-2036	5,120,000	978,244
2037-2040	<u>4,285,000</u>	<u>281,633</u>
	<u>\$ 25,990,000</u>	<u>6,483,145</u>

Interest expense on the above indebtedness was \$793,142 and \$787,283 for the years ended June 30, 2021 and 2020 respectively.

NOTE 5 – Capital Leases

Capital lease debt is summarized below:

	<u>2021</u>	<u>2020</u>
First Niagara Leasing, Inc. capital lease payable in annual installments of \$35,190 including interest at 2.54%, due August, 2020, secured by equipment.	\$ -	34,318
Caterpillar Financial Services, capital lease payable in semiannual installments of \$71,244 including interest at 2.5%, paid off in June, 2021, secured by equipment.	-	139,860
Key Government Finance capital lease payable in semiannual installments of \$11,337 including interest at 5.0%, due September, 2023, secured by equipment.	32,374	52,656
SymQuest capital lease payable in 60 monthly installments of \$1,599, no stated interest rate, due January, 2026, secured by equipment.	87,936	-
Key Government Financial capital lease payable in annual installments of \$36,858 including interest at 2.75%, due October, 2024, secured by equipment.	137,827	-
	<u>258,137</u>	<u>226,834</u>
Less: current portion	<u>(62,779)</u>	<u>(124,094)</u>
	<u>\$ 195,358</u>	<u>102,740</u>

Interest expense incurred and paid on the above indebtedness was \$6,291 and \$15,562 for the years ended June 30, 2021 and 2020, respectively.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2021 is as follows:

For the year ending June 30,	2022	\$ 62,779
	2023	63,953
	2024	65,161
	2025	55,051
	2026	<u>11,193</u>
		<u>\$ 258,137</u>

NOTE 6 –Landfill Closure and Post closure Monitoring Accrual

State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$892,052 and \$730,668 reported as landfill closure and post closure care liability at June 30, 2021 and 2020, respectively, represents the cumulative amount reported to date based on the use of 11.69 percent and 10.95 percent of the estimated capacity of the landfill system at June 30, 2021 and 2020, respectively. The Authority will recognize the remaining estimated cost of closure and post closure care of \$6,740,363 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care at a time in the future where the Authority cannot accept any more waste, and, therefore, cannot generate any more revenue. The Authority expects to close the landfill in the year 2074. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to a fund to finance closure and post closure care. The Authority is in compliance with these requirements, and at June 30, 2021 investments of \$5,079,564 are held for these purposes. These are reported as restricted assets on the balance sheet. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

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, 2021 and 2020, based on the Authority's operating plan approved by the State of New York is as follows:

	<u>At 6/30/21</u>	<u>At 6/30/20</u>
Total estimated landfill capacity (cubic yards)	18,650,000	18,650,000
Total estimated landfill capacity (cubic yards) used through June 30, 2021 and 2020	2,179,751	2,042,345
Percentage of total landfill capacity	11.69%	10.95%
Estimated closure and post-closure costs for approved cells	\$ 7,632,415	6,672,214
Environmental and closure accrual	\$ 892,052	730,668
Anticipated closure date	2074	2074

NOTE 7 – PENSION PLAN

PLAN DESCRIPTION

The County of Franklin Solid Waste Management Authority of New York participates in the New York State and Local Employees' Retirement System (ERS) which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which is established to hold all net asset and record changes in plan

net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The County of Franklin Solid Waste Management Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2020-2021	\$ 166,241
2019-2020	162,127
2018-2019	180,471

The employer contribution rates for the plan's year ending in 2021 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
4 A15	16.2%
5 A15	13.5%
6 A15	9.7%

Prior to 2013, the Authority's contributions made to the System were equal to 100% of the contributions required for each year. Beginning in 2013 the Authority elected to amortize payments with the Contribution Stabilization Program. For the years ending June 30, 2014 and 2013, the Authority elected maximum amortization of \$45,069 and \$56,767, respectively. The Comptroller of New York State annually determines the interest rate for the program. For the 2014 and 2013 ERS payments, rates of 3.67% and 3.0%, respectively were set for each ten-year period. For FY21 and FY20 the Authority paid the full contribution of \$166,241 and \$162,127, respectively. The contribution for the years 2021 and 2020 included payments on the 2013 and 2014 deferred amounts of \$12,071 and \$12,071, respectively.

A summary of the Authority's future annual minimum maturities of the amortization at June 30, 2021, is as follows:

For the year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 11,127	943	12,070
2023	11,496	574	12,070
2024	5,244	191	5,435
	<u>\$ 27,867</u>	<u>1,708</u>	<u>29,575</u>

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

At June 30, 2021 and 2020, the Authority reported liabilities of \$5,329 and \$1,270,071, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County of Franklin Solid Waste Management Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021 and 2020, the Authority's proportion was 0.0053516 percent and 0.0047962 percent, respectively. The ERS reported a 0.0005554 percent change in the allocation percentage measured as of March 31, 2021 in relation to the March 31, 2020 percentage.

For the year ended June 30, 2021 and 2020, the Authority recognized pension expense of \$111,725 and \$403,571, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 65,079	-
Changes of assumptions	979,795	18,479
Net difference between projected and actual earnings on pension plan investments	-	1,530,745
Changes in proportion and differences between contributions and proportionate share of contributions	62,151	73,441
Contributions subsequent to the measurement date	<u>48,860</u>	<u>-</u>
Total	<u>\$ 1,155,885</u>	<u>1,622,665</u>

June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,749	-
Changes of assumptions	25,573	22,082
Net difference between projected and actual earnings on pension plan investments	651,100	-
Changes in proportion and differences between contributions and proportionate share of contributions	19,899	49,216
Contributions subsequent to the measurement date	<u>41,560</u>	<u>-</u>
Total	<u>\$ 812,881</u>	<u>71,298</u>

The Authority had \$48,860 and \$41,560 at June 30, 2021 and 2020, respectively in accrued contributions subsequent to the measurement date that are considered deferred outflows of resources that would be recognized as a reduction of the net pension liability in the subsequent years ending June 30, 2022 and 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>2021</u>
2021	\$ (98,683)
2022	(38,596)
2023	(84,142)
2024	(294,219)
2025	-
Thereafter	-

Actuarial Assumptions

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

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

	2021	2020
Measurement date	March 31, 2021	March 31, 2020
Actuarial valuation date	April 1, 2020	April 1, 2019
Investment rate of return	5.9%	6.8%
Salary scale	4.4% Indexed by Service	4.2% Indexed by Service
Projected COLAs	1.4%	1.3%
Decrement Tables	4/1/10 to 3/31/15 System's Experience	4/1/10 to 3/31/15 System's Experience
Inflation rate	2.7%	2.5%

For 2021, the annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020. For 2020, the annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020 and the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 and 2020 are summarized below.

	2021	
Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	32%	4.05%
International equity	15%	6.30%
Private equity	10%	6.75%
Real estate	9%	4.95%
Absolute return strategy strategies	0%	0.00%
Opportunistic portfolio	3%	4.50%
Real assets	3%	5.95%
Bonds and mortgages	23%	0.00%
Cash	1%	0.50%
Credit	4%	3.63%
	100%	

2020

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36%	4.05%
International equity	14%	6.15%
Private equity	10%	6.75%
Real estate	10%	4.95%
Absolute return strategy strategies	2%	3.25%
Opportunistic portfolio	3%	4.65%
Real assets	3%	5.95%
Bonds and mortgages	17%	75.00%
Cash	1%	0.00%
Inflation-indexed bonds	<u>4%</u>	0.50%
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for 2021 and 6.8% for 2020. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rates of 5.9% for 2021 and 6.8% for 2020, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9 percent for 2021 and 5.8 percent for 2020) or 1-percentage-point higher (6.9 percent for 2021 and 7.8 percent for 2020) than the current rate:

	June 30, 2021		
	1% Decrease (4.9%)	Current Assumption (5.9%)	(1%) Increase (6.9%)
Authority's proportionate share of the net pension liability (asset)	\$ 1,479,069	5,329	(1,353,805)

	June 30, 2020		
	1% Decrease (5.8%)	Current Assumption (6.8%)	(1%) Increase (7.8%)
Authority's proportionate share of the net pension liability (asset)	\$ 2,330,939	1,270,071	293,007

Pension plan fiduciary net position

The components of the collective net pension liability of ERS as of March 31, 2021 and 2020 measurement date were as follows:

	(Dollars in Thousands)	
	March 31, 2021	March 31, 2020
Total pension liability	\$ 220,680,157	194,596,261
ERS fiduciary net position	(220,580,583)	(168,116,682)
Employer's net pension liability	<u>\$ 99,574</u>	<u>26,479,579</u>
ERS fiduciary net position as a percentage of total pension liability	99.95%	86.39%

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employers' contribution rate, by tier plus any remaining liability for deferred payments from FY's 2013 and 2014. Accrued retirement contributions to ERS as of June 30, 2021 were \$48,860. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employers' contribution rate, by tier plus any remaining liability for deferred payments from FY's 2013 and 2014. Accrued retirement contributions to ERS as of June 30, 2020 were \$41,560.

NOTE 8 – 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. The agreement was renewed on May 1, 2012 and the provisions extended accordingly.

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, 2021 and 2020 total \$8,627,758 and \$7,415,412 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, 2021 and 2020, \$8,627,758 and \$7,415,412, respectively. The Authority owed Franklin County \$56,228 and \$0 at June 30, 2021 and 2020, respectively. These amounts are included in accounts payable.

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

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

The Authority has no commitments to contractors for capital projects in process at June 30, 2021 or June 30, 2020. All capital projects were completed and resulting assets were placed in service. Retainage in the amount of \$0 and \$159,207 was held at June 30, 2021 and June 30, 2020 respectively and is reflected as a liability.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Authority has agreements with Franklin County and the Village of Malone to accept waste generated from government departments at no charge up to agreed-upon limits. During the years ended June 30, 2021 and June 30, 2020, the Authority accepted at no charge \$46,991 and \$12,244 respectively from Franklin County and \$42,417 and \$28,828 respectively from the Village of Malone of waste generated by governmental departments.

NOTE 10 – SUBSEQUENT EVENTS

The Authority has evaluated events and transactions that occurred between June 30, 2021 and November 10, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 11 – RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassification had no effect on the reported results of operations.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2021, management reevaluated its assumptions and methodologies for calculating the closure and post-closure liabilities. Management determined that these changes were warranted to more accurately reflect the requirements of the applicable accounting standards. As a result of these changes, management recorded a prior period adjustment to increase net position at June 30, 2020 in the amount of \$5,113,881.

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REQUIRED SUPPLEMENTARY INFORMATION

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

New York State Employees Retirement System (ERS)

Measurement Date	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2015
Authority's Proportion of the Net Pension Liability	0.0053516%	0.0047962%	0.0046247%	0.0048963%	0.0043805%	0.0043757%	0.0046574%
Authority's Proportionate Share of the Net Pension Liability	\$ 5,329	1,270,071	327,674	158,024	411,605	702,317	157,340
Authority's Covered-Employee Payroll	\$ 1,416,483	1,310,842	1,246,569	1,211,121	1,118,953	1,038,194	1,294,266
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	0.38%	96.89%	26.29%	13.05%	36.78%	67.65%	12.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

* : Information prior to the year ended June 30, 2015 is not available.

The accompanying independent auditors' report should be read in conjunction with these statements.

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

New York State Employees Retirement System (ERS)

	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 48,860	41,560	39,372	154,433	149,003	125,912	207,475
Contributions in Relation to the Contractually Required Contribution	48,860	41,560	39,372	154,433	149,003	125,912	207,475
Contribution Deficiency (Excess)	-	-	-	-	-	-	-
Authority's Covered-Employee Payroll	\$ 1,416,483	1,310,842	1,246,569	1,211,121	1,118,953	1,038,194	1,294,266
Contributions as a Percentage of Covered-Employee Payroll	3.45%	3.17%	3.16%	12.75%	13.32%	12.13%	16.03%

* : Information prior to the year ended June 30, 2015 is not available.

The accompanying independent auditors' report should be read in conjunction with these statements.

SUPPLEMENTARY INFORMATION

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COUNTY OF FRANKLIN SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>		<u>2020</u>	
	<u>Operations & Maintenance</u>	<u>General & Administrative</u>	<u>Operations & Maintenance</u>	<u>General & Administrative</u>
Salaries, Wages, and Compensated Absences	\$ 1,155,735	319,330	1,100,869	192,863
Board Expenses	-	55	-	665
Host Community Benefits	-	110,946	-	110,706
Payroll Taxes and Employer Benefits	567,540	68,031	965,015	99,314
Environmental and Closure	100,039	-	87,600	-
Environmental Monitoring	76,550	-	137,395	-
Fuel	265,387	-	265,772	-
Insurance	100,487	89,317	83,067	74,990
Leachate Disposal	15,653	-	36,214	-
Waste Disposal	4,300	-	-	-
Miscellaneous Equipment	79,323	-	81,683	-
Office	4,458	8,501	5,217	20,501
Other Contractual Services	46,298	-	61,133	-
Professional Fees	31,164	85,724	37,237	158,861
Recycling	39,253	-	53,930	-
Repairs and Maintenance	563,320	24,897	524,421	29,385
Supplies	58,406	-	87,839	-
Telephone	8,791	8,329	6,978	10,550
Travel and Conferences	6,400	1,829	6,046	2,567
Trustee Costs	-	15,275	-	69,324
Utilities	52,377	9,753	61,482	11,925
Miscellaneous	4,188	65	3,150	610
	<u>\$ 3,179,669</u>	<u>742,052</u>	<u>3,605,048</u>	<u>782,261</u>

The accompanying independent auditors' report should be read in conjunction with these statements.

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INTERNAL CONTROL AND COMPLIANCE

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

To the Board of Directors
 County of Franklin Solid Waste Management Authority
 Constable, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County of Franklin Solid Waste Management Authority (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.A. Mercer & Co., P.C.

R.A. Mercer & Co., P.C.

West Seneca, New York
November 10, 2021