COUNTY OF FRANKLIN

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

INCLUDING SINGLE AUDIT REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

Certified Public Accountants

COUNTY OF FRANKLIN

FOR THE YEAR ENDED DECEMBER 31, 2016

Executives

County Manager	Donna Kissane
Treasurer	Bryon A. Varin
Deputy Treasurer	Joan L. Sherwin
County Clerk	Kip Cassavaw
County Auditor	Fran Perry
County Attorney	Jonathan J. Miller

Franklin County Legislature-January 1, 2017

Chairwoman	Barbara Rice, District #7
Vice-Chairman	Donald Dabiew, District #5
Majority Leader	Carl Sherwin, District #4
Minority Leader	Paul A. Maroun, District #6
Legislators	Paul A. Lauzon, District #1
	Gregory A. Janisewski, District #2
	Andrea M. Dumas, District #3

THIS PAGE LEFT INTENTIONALLY BLANK

COUNTY OF FRANKLIN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS

	Exhibit	Page
INDEPENDENT AUDITORS' REPORT		8
MANAGEMENT'S DISCUSSION AND ANALYSIS		10
FINANCIAL SECTION		
Statement of Net Position	A	22
Statement of Activities	B	23
Balance Sheet - Governmental Funds	C	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	D	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities		26
Statement of Net Position - Proprietary Funds	E	27
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	F	28
Statement of Cash Flows - Proprietary Funds	G	29
Statement of Fiduciary Net Position - Fiduciary Funds	H	30
Statement of Changes in Fiduciary Net Position - Fiduciary Funds		30
Statement of Net Position - Component Units	I	31
Statement of Activities -Component Units	J	32
Notes to the Financial Statements		34

COUNTY OF FRANKLIN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS CONTINUED

	Exhibit Schedules	Page
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Funding Progress - Other Post-Employment Benefits	1	96
Schedule of the County's Proportionate Share of the Net Pension Liability	2	97
Schedule of the County's Pension Contributions	3	98
Budgetary Comparison Schedule - General Fund	4	100
Special Revenue Funds	5	101
Notes to Budgetary Comparison Schedules		102
SUPPLEMENTARY INFORMATION		
Combining Balance Sheet - Nonmajor Governmental Funds	6	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	7	107
Combining Balance Sheet - Special Revenue Funds	8	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	9	109
FEDERAL AWARDS INFORMATION		
Schedule of Expenditures of Federal Awards	10	112
Notes to Schedule of Expenditures of Federal Awards		114
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		118
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance		120
Schedule of Findings and Questioned Costs		122
Summary Schedule of Prior Audit Findings		127

COUNTY OF FRANKLIN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS CONTINUED

	Exhibit	Page
STATE DOT REQUIRED SUPPLEMENTAL INFORMATION		
Independent Auditors' Report on Compliance and Controls over State Transportation Assistance Expended based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		132
Schedule of State Transportation Assistance Expended		134
Notes to Schedule of State Transportation Assistance Expended		135
Schedule of Findings and Questioned Costs for State Transportation Assistance Expended		136

THIS PAGE LEFT INTENTIONALLY BLANK

Cathie J. Bridges, CPA
Kenneth S. Frank, CPA
Roger J. Lis, Jr. CPA
Denise D. Veloski, CPA
Julie L. Jagoda-Booth, CPA
Kathryn A. Larracuente, CPA

R. A. MERCER & CO., P.C.
Certified Public Accountants
290 Center Road
West Seneca, New York 14224
Phone 716-675-4270 Fax 716-675-4272
www.ramercercpa.com

Raymond A. Mercer, CPA 1931-1983

Robert W. Irwin, CPA

INDEPENDENT AUDITOR'S REPORT

To the Chairwoman and Members
Of the Legislature of the County of Franklin
Malone, New York 12953

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Franklin County Industrial Development Agency, the Franklin County Civic Development Corporation, the Franklin County Solid Waste Management Authority, and the Rainbow Lake Water Protection District, each of which represents 100 percent of the respective assets, net position, and revenues of the component units. The financial statements of the Rainbow Lake Water Protection District were not audited in accordance with *Government Auditing* Standards. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Franklin County Industrial Development Agency, the Franklin County Civic Development Corporation, the County of Franklin Waste Management Authority, and the Rainbow Lake Water Protection District, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 County of Franklin's basic financial statements. The combining and individual nonmajor fund financial statements and NYS DOT supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the NYS DOT supplemental information, and the schedule of expenditures of federal awards are the responsibility of management and were 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, the combining and individual nonmajor fund financial statements, the NYS DOT supplemental information and the schedule of expenditures of federal awards are 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 August 28, 2017, on our consideration of the County of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Franklin's internal control over financial reporting and compliance.

R.A. MERCER & CO., P.C.

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

West Seneca, New York
August 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Franklin's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2016. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position decreased by $4,535,044, from $44,055,953 to $39,520,909. This includes a reduction in net position of $1,551,672 for current post-employment benefit obligations (retiree health insurance) as well as a reduction in net position of $1,940,322 for the New York State pension expense.

- During the year, the County's governmental activities expenses were $95,920,512 compared to revenues of $91,385,468, of which $39,779,298, or 41.7 percent, was from property and non-property tax items (sales tax), compared to 44.5 percent in 2015.

- The County's component units had a combined increase in net position of $2,364,910. The Franklin County Solid Waste Management Authority had operating net income of $634,834 on revenues of $10,876,696 and expenses of $10,241,862. It also had investment earnings of $1,293 which resulted in a net position increase of $636,127 for the Authority. The Franklin County Industrial Development Agency had an increase in net position of $1,718,329, and the Rainbow Lake Water Protection District had an increase in net position of $5,469. The Franklin County Civic Development Corporation had an increase in net position of $4,985.

OVERVIEW OF THE FINANCIAL STATEMENTS

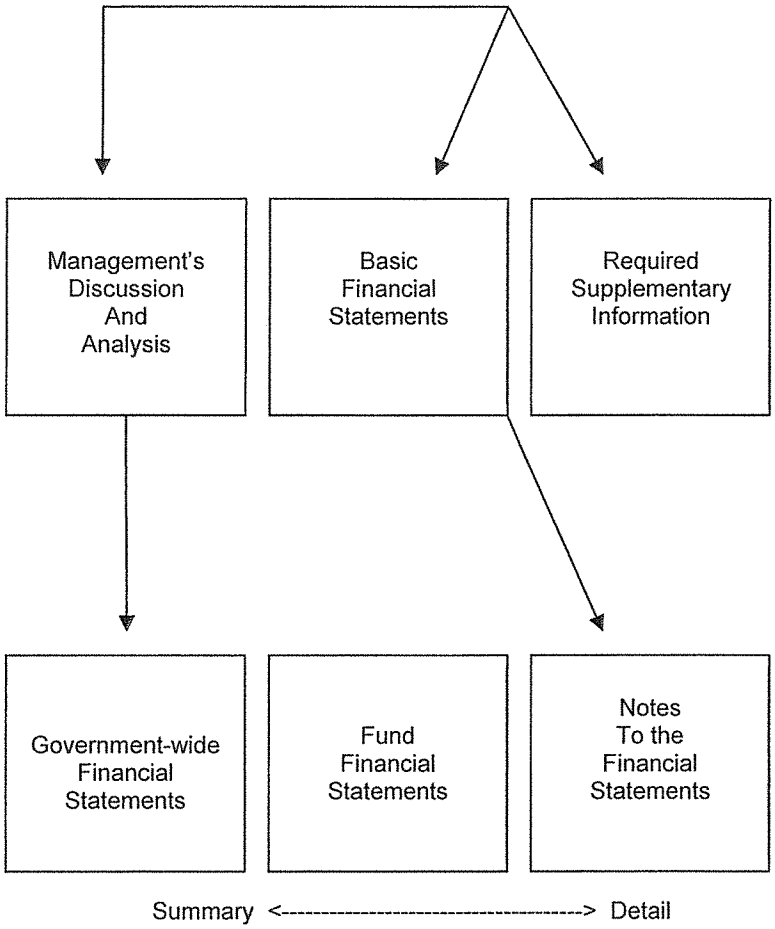
This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government wide financial statements which provide both long-term and short-term information about the County's overall financial status.

- The remaining statements are fund financial statements which focus on individual parts of the County government, reporting the County's operations in more detail than the government wide statements.
  - Governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities of the government, such as the Franklin County Nursing Home which was closed in 2015.

- Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1
Required Components of
Franklin County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The

remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Franklin County's Government-Wide and Fund Financial Statements

	Fund Statements			
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: the Nursing Home (closed in 2015).	Instances in which the County is the trustee or agent for someone else's resources
Required financial Statements	. Statement of net position . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net position . Statement of revenues, expenses, and changes in net position . Statement of cash flows	. Statement of fiduciary net position . Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

County-Wide Statements

The County-Wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government wide statements report the County's net position and how it has changed. Net position - the difference between the County's assets and liabilities - is one way to measure the County's financial health, or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall health of the County it is necessary to consider additional nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure.

The government wide financial statements of the County are divided into three categories:

- Governmental activities - Most of the County's basic services are included here, such as the police, fire, public works, and parks departments, and general administration. Property taxes, sales tax, and state and federal grants finance most of these activities.
- Business-type activities - The County charges fees to customers to help it cover the costs of certain services it provides. The County's Nursing Home is included here, and was closed in 2015.
- Component units - The County includes three other entities in its report - the Franklin County Industrial Development Agency, Franklin County Civic Development Corporation, Franklin County Solid Waste Management Authority, and the Rainbow Lake Water Protection District. Although legally separate, these "component units" are important because the County is financially accountable for them. These audit reports are available at the County building.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, although not for the County as a whole. Funds are accounting devices that the County uses to track specific sources of funding and spending.

- Some funds are required by State law and by bond covenants.
- The County Legislature establishes other funds to control and manage money for particular purposes.

The County has three kinds of funds:

- Governmental funds - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government wide statements, provide both long- and short-term financial information.
    - The County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
    - We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities, such as the Workers' Compensation Fund.
    - Fiduciary funds - the County is the trustee, or fiduciary, and is responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's combined net position is $43,088,262, which is down from last years' net position by $2,170,134. The following is a summary of the county's net position:

Net position of the County's governmental activities decreased $4,535,044 to $39,520,909. However, a portion of that net position is either restricted as to the purposes for which it can be used or is invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position showed a $9,880,562 deficit at the end of this year. This means that the County does not have resources available to pay its obligations next year based on the full accrual basis of accounting. Based on fund accounting, the General Fund has $528,073 in unassigned fund balance compared to a negative $283,562 in 2015.

	Primary Government		
	Governemental Funds (In Millions)		
	2016	2015	Change
Current and other assets	$ 43.57	40.89	2.68
Capital assets, net	51.04	51.00	0.04
Total assets	94.61	91.89	2.72
Deferred outflows of resources	14.63	3.70	10.93
Current liabilities	17.34	18.59	(1.25)
Non-current liabilities	48.37	31.24	17.13
Total liabilities	65.71	49.83	15.88
Deferred inflows of resources	4.01	1.71	2.30
Net investment in capital assets	46.78	48.35	(1.57)
Restricted net position	2.62	6.34	(3.72)
Unrestricted net position	(9.88)	(10.64)	0.76
Total net postion	$ 39.52	44.05	(4.53)

Changes in Position

Only 20 percent of the County's revenue comes from property taxes. Another 24 percent comes from fees charged for services, and 22 percent from non-property tax items (sales tax). The remaining 34 percent revenues comprise state and federal aid and a small amount from investment earnings.

The total costs of all programs in governmental activities have increased by $5,624,491, or 6.23%. The largest portion of the County's expenses, or 42 percent, is for Economic Assistance and Opportunity, which is supported, for the most part, by state and federal revenues. The largest portion of the deficit in funding is the cost of Medicaid, which is budgeted.

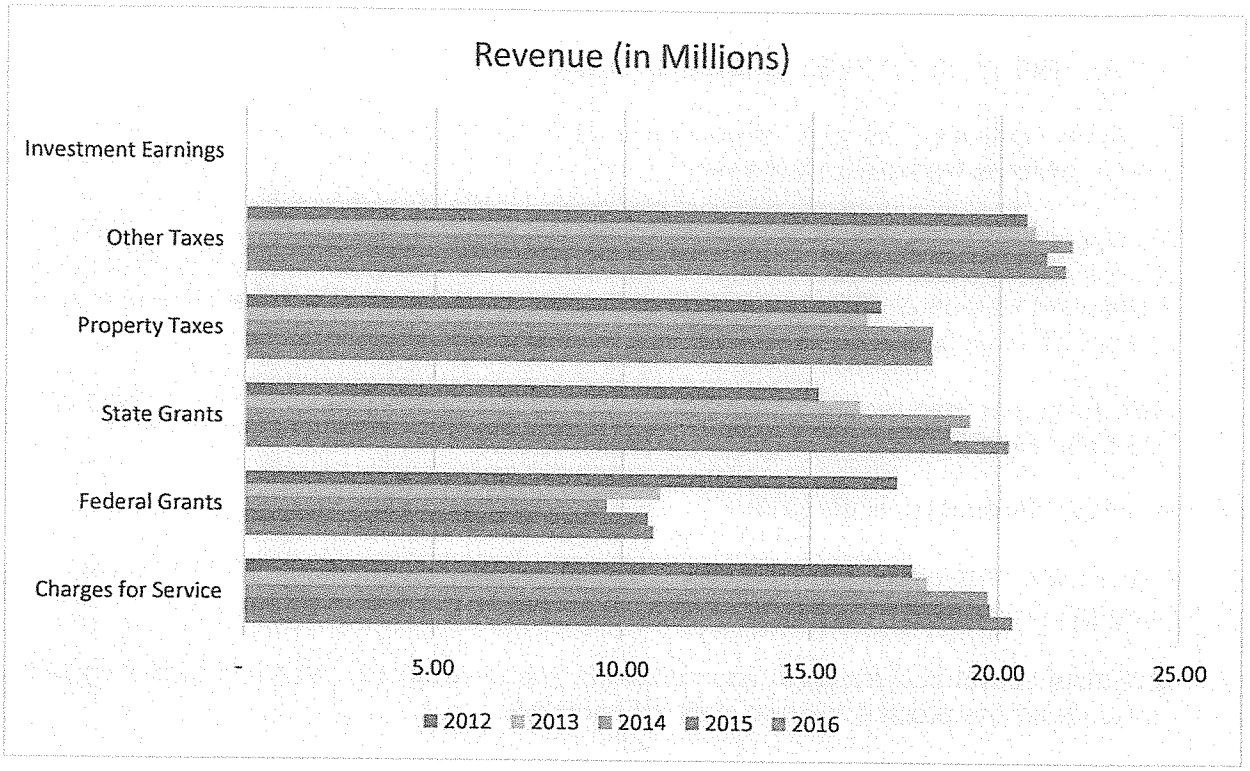
Governmental Activities

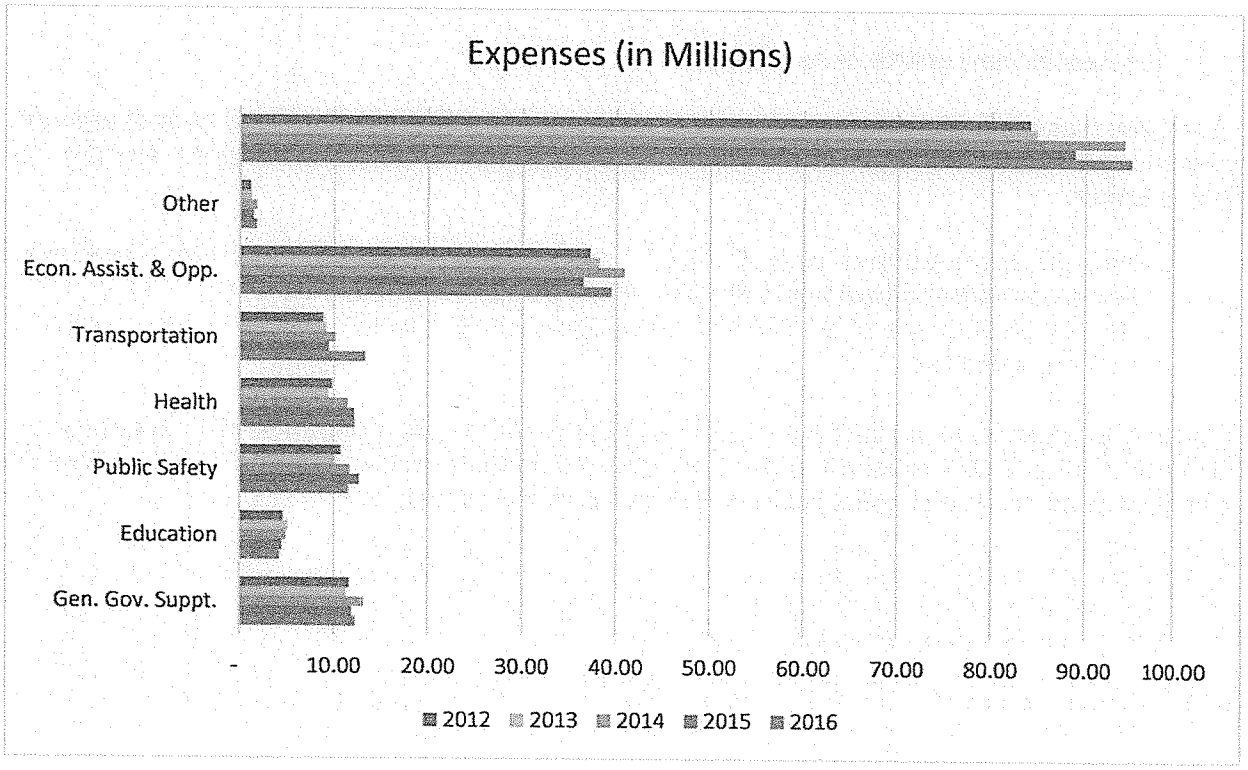
Revenues for the County's governmental activities decreased by an insignificant amount from the prior year.

Changes in Net Position
(In Millions)

	Governmental		Business-type		Total Primary	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues						
Charges for Service	$ 20.38	19.79	-	1.54	20.38	21.33
Federal Grants	10.82	10.68	-	-	10.82	10.68
State Grants	20.25	18.71	-	-	20.25	18.71
General Revenues						
Property Taxes	18.19	18.18	-	-	18.19	18.18
Other Taxes	21.74	21.25	-	-	21.74	21.25
Investment Earnings	0.01	0.02	-	-	0.01	0.02
Gain on Disposal of Nursing Home	-	-	-	4.15	-	4.15
Total Revenues	91.39	88.63	-	5.69	91.39	94.32
EXPENSES						
General Government Support	12.85	12.14	-	-	12.85	12.14
Education	4.28	4.59	-	-	4.28	4.59
Public Safety	11.62	12.93	-	-	11.62	12.93
Health	12.30	12.35	-	-	12.30	12.35
Transportation	14.06	9.63	-	-	14.06	9.63
Economic Assistance and Opportunity	39.75	37.08	-	-	39.75	37.08
Culture and Recreation	0.19	0.24	-	-	0.19	0.24
Home and Community Services	0.69	1.24	-	-	0.69	1.24
Loss on Disposal of Equipment	0.09	-	-	-	0.09	-
Debt Service	0.09	0.09	-	-	0.09	0.09
Nursing Home	-	-	-	3.24	-	3.24
Total expenses	95.92	90.29	-	3.24	95.92	93.53
Transfers	-	0.41	-	(0.41)	-	-
Prior Period Adjustments	-	(0.34)	-	-	-	-
Increase (Decrease) in Net Position	$ (4.53)	$ (1.59)	-	2.04	(4.53)	0.79

Property tax revenues were unfavorable by $104,577 compared to the final budget estimates. The County's final budget estimated revenue exceeded the actual revenue sources by $3,911,005.


Revenue (in Millions)
Investment Earnings
Other Taxes
Property Taxes
State Grants
Federal Grants
Charges for Service
-
5.00
10.00
15.00
20.00
25.00
2012
2013
2014
2015
2016


Expenses (in Millions)
Other
Econ. Assist. & Opp.
Transportation
Health
Public Safety
Education
Gen. Gov. Suppt.
-
10.00
20.00
30.00
40.00
50.00
60.00
70.00
80.00
90.00
100.00
2012
2013
2014
2015
2016

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of $6,627,861, which is higher than last year.

- The County spent $5,405,714 on capital projects during the year. This amount includes expenditures for various infrastructure improvements. These expenditures are paid for by a combination of federal and state grants and use of the general fund Capital Reserve and issuance of serial bonds.

- The County also had the New York State retirement expense decrease from $2,660,124 in 2015 to $2,297,606 in 2016 for the primary government.

General Fund Budgetary Highlights

Over the course of the year, the County Legislature revised the County budget several times. These budget amendments fall into three categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances.

- Increases in appropriations to prevent budget overruns.

- Increases for new grants or revenue.

Even with these adjustments, actual expenditures were $5,616,339 below final budget amounts. Resources available for appropriation were $3,911,005 below the final budgeted amount. As noted earlier:

  - Property tax collections were $104,577 under budget mostly due to Indian Land claims and other deferred taxes not collected within 60 days after the year end.
  - Non property taxes of $1,856,669 were under budget which is comprised of collected accrued sales tax.

The County's general fund balance of $2,914,363 differs from the general fund's budgetary fund balance of $1,209,029 reported in the budgetary comparison schedule principally because the overestimation of expenses exceeded the underestimation of revenue.

Capital Assets

At the end of 2016, the County had invested $120,175,617 in a broad range of capital assets, including equipment, buildings, roads, and bridges. This amount represents a net increase (including additions and deductions) of $4,545,114 over last year.

	2016 Total	2015 Total
Land	$ 437,016	161,993
Buildings and Improvements	29,422,004	28,490,519
Equipment	15,090,267	13,858,937
Infrastructure	73,035,651	69,398,015
Construction-in-Progress	2,190,678	3,721,039
	$ 120,175,616	115,630,503

The major additions for the year included construction in progress associated with various roads and bridges.

Long-Term Debt

At year-end, the County had $19,041,193 in bonds, leases, notes, retirement liabilities, and compensated absences outstanding - an increase of $12,210,130 over last year. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements. During the year the County contracted an actuarial to calculate the liability for the unfunded post-employment benefits. The total liability is $38,457,671, the County recorded the amortized amount of $29,329,254 as a liability. Standard and Poor's has lower the rating for the Franklin County, New York General Obligation from "A-" to "BBB+", while affirming a negative outlook.

Limitations on Debt

The State limits the amount of general obligation debt the County can issue to 3 percent of the assessed value of all taxable property within the County's limits. The outstanding debt is significantly below this limit.

County of Franklin Outstanding Debt

	Governmental Activities	
	2016 Total	2015 Total
Serial Bonds - 2009	$ 1,930,000	2,515,000
Leases Payable	2,333,815	528,417
Compensated Absences	907,654	829,108
New York State net Pension Liability	13,869,724	2,958,538
Post Employment Benefit Obligation	29,329,254	27,777,582
Total	48,370,447	34,608,645
Due within one year	2,565,415	3,381,863
Due in more than one year	$ 45,805,032	31,226,782

ECONOMIC FACTORS AND SUBSQUENT BUDGET

Franklin County, with a population of 51,606 according to the Federal Census Bureau, is in northern New York State along the Canadian border. It is also bordered by Clinton County to the east, St. Lawrence County to the west and Essex and Hamilton Counties to the south. The County's economy relies on the various government facilities and other facilities for employment. Additional leading employers are Sunmount Hospital, Mohawk Casino, NYS Correctional Facilities and the six school districts.

In 2016, the County's 5.6% average unemployment rate exceeded the State's 4.8% average and the nation's 4.8% average. The nation's economy had shown signs of improvement as levels peaked at 5.0% early in the year then settled at 4.7% at year end. The State's unemployment rate ranged between 5.3% and 4.3% while the County's unemployment rate peaked 6.7% in January but drifted to 5.0% in the third quarter ending the year at 5.4%.

The 2017 adopted budget will reflect a 1.47% increase in the County tax levy which is below the NYS tax cap. The 2017 tax rate is established at $4.60 per thousand with total appropriations of $103,298,420 and total revenue of $85,265,836. Total county full value per the assessment roll is $3.553 billion.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bryon A. Varin, Franklin County Treasurer, 355 West Main Street, Suite 140, Malone, New York, 12953.

FINANCIAL SECTION

THIS PAGE LEFT INTENTIONALLY BLANK

EXHIBIT A

COUNTY OF FRANKLIN
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 6,435,714	721,230
Cash and Cash Equivalents, Restricted	1,486,806	7,748,519
Taxes Receivable, Net	22,377,123	-
Other Receivables, Net	732,729	1,905,064
State and Federal Receivables	11,498,879	-
Prepaid Expenses	4,330	-
Due from Other Governments	717,554	-
Inventory	316,842	-
Other Assets	-	43,666
Capital Assets:		
Land and Construction in Progress	2,627,694	2,219,773
Capital Assets, Net of Depreciation	48,416,923	11,646,306
Capitalized Preoperational and Financing Costs, Net	-	1,537,058
Total Assets	94,614,594	31,116,973
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflows on ERS Pension	14,624,592	809,549
Total Deferred Outflows of Resources	14,624,592	809,549
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	109,239,186	31,926,522
LIABILITIES		
Accounts Payable	4,952,089	1,724,768
Accrued Liabilities	1,758,986	44,763
Other Liabilities	43,046	3,942,495
Due to Other Governments	10,583,906	-
Long-Term Liabilities		
Due and Payable Within One Year	2,565,415	628,607
Due and Payable After One Year	45,805,032	21,858,631
Total Liabilities	65,708,474	28,199,264
DEFERRED INFLOW OF RESOURCES		
Deferred Inflows on ERS Pension	2,597,028	159,905
Unavailable Grants	1,282,673	-
Unavailable Revenue - Community Development Loans	130,102	-
Total Deferred Inflow of Resources	4,009,803	159,905
NET POSITION		
Net Investment in Capital Assets	46,780,802	949,563
Restricted for:		
Retirement	271,056	-
Unemployment Insurance	451,294	-
Tax Stabilization	130,149	-
Capital Reserve (Mortgage Tax)	702,678	-
Repairs	462,440	-
Other	603,052	-
Unrestricted (Deficit)	(9,880,562)	2,617,790
Total Net Position	$ 39,520,909	3,567,353

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

EXHIBIT B

COUNTY OF FRANKLIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Total	Net (Expenses) Revenue and Changes in Net Position: Component Units
Primary Government:							
Governmental Activities:							
General Government Support	$ 12,852,917	14,571,737	2,227,923	-	3,946,743	3,946,743	
Education	4,276,869	-	1,175,601	-	(3,101,268)	(3,101,268)	
Public Safety	11,619,758	128,640	1,052,112	-	(10,439,006)	(10,439,006)	
Health	12,298,517	2,341,059	6,177,503	-	(3,779,955)	(3,779,955)	
Transportation	14,056,283	1,332,425	-	4,254,193	(8,469,665)	(8,469,665)	
Economic Assistance and Opportunity	39,753,004	2,009,510	16,171,423	-	(21,572,071)	(21,572,071)	
Culture and Recreation	191,729	-	-	-	(191,729)	(191,729)	
Home and Community Services	688,245	-	-	-	(688,245)	(688,245)	
Loss on Disposal of Equipment	88,561	-	-	-	(88,561)	(88,561)	
Debt Service Interest	94,630	-	-	-	(94,630)	(94,630)	
Total Governmental Activities	95,920,512	20,383,371	26,804,562	4,254,193	(44,478,386)	(44,478,386)	
Total Primary Government	95,920,512	20,383,371	26,804,562	4,254,193	(44,478,386)	(44,478,386)	
Component Units:							
IDA (FYE 12/31/16)	342,366	1,860,000	3,329	-			1,520,963
CDC (FYE 12/31/2016)	193,167	198,150	-	-			4,983
Landfill Operations (FYE 6/30/16)	10,241,862	10,876,696	-	-			634,834
Water District Operations (FYE 12/31/16)	4,531	-	-	-			(4,531)
Total Component Units	$ 10,781,926	12,934,846	3,329	-			2,156,249
General Revenues (Expenses):							
Taxes:							
Property Taxes, Levied for General Purposes					18,196,216	18,196,216	-
Nonproperty Tax Items, for General Purposes					21,738,331	21,738,331	-
Water District Tax Revenues					-	-	10,000
Municipal Subsidies and Grants					-	-	190,000
Restricted Investment Earnings					8,795	8,795	8,661
Total General Revenues					39,943,342	39,943,342	208,661
Change in Net Position					(4,535,044)	(4,535,044)	2,364,910
Net Position-Beginning of the Year					44,055,953	44,055,953	1,202,443
Net Position-End of the Year					$ 39,520,909	39,520,909	3,567,353

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

EXHIBIT C

COUNTY OF FRANKLIN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 3,894,530	1,460,077	5,354,607
Cash and Cash Equivalents- Restricted	1,364,081	122,725	1,486,806
Taxes Receivable, Net	22,377,123	-	22,377,123
Other Receivables, Net	393,699	335,874	729,573
State and Federal Receivables	9,943,801	1,555,078	11,498,879
Prepaid Expenses	661,750	4,330	666,080
Due from Other Governments	717,554	-	717,554
Due from Other Funds	1,579,730	3,697,551	5,277,281
Inventory	8,539	308,303	316,842
Total Assets	40,940,807	7,483,938	48,424,745
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	2,992,412	1,959,677	4,952,089
Accrued Liabilities	1,697,297	50,694	1,747,991
Other Liabilities	41,005	-	41,005
Unearned Revenues	17,781,837	-	17,781,837
Due to Other Funds	3,648,918	1,628,363	5,277,281
Due to Other Governments	10,582,302	1,604	10,583,906
Total Liabilities	36,743,771	3,640,338	40,384,109
DEFERRED INFLOW OF RESOURCES			
Unavailable Grants	1,282,673	-	1,282,673
Unavailable Revenue - Community Development Loans	-	130,102	130,102
Total Deferred Inflow of Resources	1,282,673	130,102	1,412,775
Fund Balances			
Nonspendable			
Inventory	8,539	308,303	316,842
Prepaids	661,750	4,330	666,080
Restricted For:			
Retirement	271,056	-	271,056
Unemployment Insurance	451,294	-	451,294
Tax Stabilization	130,149	-	130,149
Capital Reserve (Mortgage Tax)	702,678	-	702,678
Repairs	-	462,440	462,440
Other	80,327	122,725	203,052
Assigned To:			
Assigned Appropriated	-	1,531,020	1,531,020
Assigned Unappropriated	80,497	1,880,020	1,960,517
Unassigned	528,073	(595,340)	(67,267)
Total Fund Balances	2,914,363	3,713,498	6,627,861
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	$ 40,940,807	7,483,938	48,424,745

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,044,617
Internal service funds are used by managment to charge the cost of workers' compensation to individual funds. The assets and liabilities of this fund are included in governmental activities in the Statement of Net Position	1,082,222
Adjustment for GASB Statement No. 68, New York State retirement.	(2,503,910)
Recording of Long-Term Capital Lease	(2,333,815)
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	17,781,837
Interest on debt is recorded as an expenditure in governmental funds when it is due. On the Statement of Net Position interest is recognized as it accrues.	(10,995)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(32,166,908)
Net Position of Governmental Activities	$ 39,520,909

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

EXHIBIT D

COUNTY OF FRANKLIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Real Property Taxes	$ 16,275,464	-	16,275,464
Real Property Tax Items	1,846,567	-	1,846,567
Non-Property Tax Items	21,738,331	-	21,738,331
Departmental Income	12,202,828	557,633	12,760,461
Intergovernmental Charges	6,373,018	-	6,373,018
Use of Money and Property	537,470	1,417	538,887
Fines and Forfeitures	279,881	-	279,881
Sale of Property and Compensation for Loss	819,897	32,712	852,609
Miscellaneous Local Sources	4,513,161	15,090	4,528,251
Interfund Revenues	366,466	601,132	967,598
State Aid	17,848,073	2,396,656	20,244,729
Federal Aid	10,584,855	229,171	10,814,026
Total Revenues	93,386,011	3,833,811	97,219,822
EXPENDITURES			
General Government Support	10,779,793	-	10,779,793
Education	3,764,662	-	3,764,662
Public Safety	11,477,779	171,189	11,648,968
Health	10,816,767	-	10,816,767
Transportation	1,114,807	9,867,613	10,982,420
Economic Assistance and Opportunity	35,275,087	373,495	35,648,582
Culture and Recreation	168,767	-	168,767
Home and Community Services	6,517,816	-	6,517,816
Employee Benefits	7,879,461	-	7,879,461
Debt Service (Principal and Interest)	117,367	668,519	785,886
Total Expenditures	87,912,306	11,080,816	98,993,122
Excess of Revenues Over (Under) Expenditures	5,473,705	(7,247,005)	(1,773,300)
OTHER FINANCING SOURCES (USES)			
Proceeds From Debt	-	1,908,728	1,908,728
Transfers from Other Funds	-	4,398,251	4,398,251
Transfers to Other Funds	(4,389,700)	(8,551)	(4,398,251)
Net Other Financing Sources (Uses)	(4,389,700)	6,298,428	1,908,728
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,084,005	(948,577)	135,428
Fund Balances, Beginning of the Year	1,830,358	4,662,075	6,492,433
Fund Balances, End of the Year	$ 2,914,363	3,713,498	6,627,861

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

COUNTY OF FRANKLIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Total Net Change in Fund Balances-Governmental Funds	$	135,428
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of $5,267,934 exceed depreciation of $5,136,602 in the current year. Also includes loss on sale of equipment of $88,561.		42,771
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		585,000
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		103,330
Because some property taxes are not collected for several months after the County's year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.		74,185
In the Statement of Activities, expenses such as compensated absences and the New York State retirement incentive liability are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. For the year ended December 31, 2016, payments made to the New York State Employees' Retirement System for early retirement incentive payment exceeded amounts earned. Payments did not exceed the estimated liability for compensated absences by $78,547.		(78,547)
Adjustment for GASB Statement No. 68, New York State retirement.		(1,940,322)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net accrued interest decreased from the prior year by this amount.		2,926
Gross proceeds of a capital lease are recorded as revenue in the governmental funds financial statements in the amount of $1,908,728, but the long-term liability is recorded on the Statement of Net Position.		(1,908,728)
Estimated Net Other Post Employment Benefit Obligation for 2016.		(1,551,672)
An internal service fund is used by the County's managment to charge the costs of workers' compensation to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		585
Change in Net Position of Governmental Activities	$	(4,535,044)

EXHIBIT E

COUNTY OF FRANKLIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2016

	Internal Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,081,107
Cash - Resident Trust Funds	-
Other Receivables, Net	3,156
Other Current Assets	-
Total Current Assets	1,084,263
Capital Assets	
Land	-
Equipment	-
Buildings and Improvements	-
Accumulated Depreciation	-
Net Capital Assets	-
Total Assets	1,084,263
LIABILITIES	
Current Liabilities	
Accounts Payable	-
Accrued Liabilities	-
Other Current Liabilities	2,041
Due to Other Funds	-
Total Current Liabilities	2,041
Long-Term Liabilities	
Other Post-Employment Benefits Liability	-
Total Liabilities	2,041
NET POSITION	
Invested in Capital Assets, Net of Related Debt	-
Restricted for Workers' Compensation	400,000
Assigned Fund Balance	682,222
Unrestricted (Deficit)	-
Total Net Position	$ 1,082,222

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

EXHIBIT F

COUNTY OF FRANKLIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Internal Service Fund
OPERATING REVENUES	
Miscellaneous Income	$ 93,876
Intergovernmental Charges	1,263,574
Total Operating Revenues	1,357,450
OPERATING EXPENSES	
Professional and Contractual Services	-
General Governmental Support	1,334,364
Employee Benefits	22,958
Depreciation	-
Total Operating Expenses	1,357,322
Income (Loss) from Operations	128
NONOPERATING REVENUES (EXPENSES)	
Income on Investment	457
Net Nonoperating Revenues (Expenses)	457
Change in Net Position	585
Total Net Position-Beginning of the Year	1,081,637
Total Net Position-End of the Year	$ 1,082,222

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

EXHIBIT G

COUNTY OF FRANKLIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Received From Assessments Made to Other Funds	1,355,165
Payments to Employees	(22,655)
Payments for Workers' Compensation Claims	(1,334,364)
Net Cash Provided By (Used In) Operating Activities	(1,854)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	457
Net Cash Provided By (Used In) Investing Activities	457
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,397)
Cash and Cash Equivalents-Beginning of the Year	1,082,504
Cash and Cash Equivalents-End of the Year	$ 1,081,107
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (Loss) From Operations	$ 128
Adjustments to Reconcile Net Income (Loss) from Operations to Net Cash Provided By (Used In) Operating Activities:	
(Increase) Decrease in Accounts Receivable	(2,285)
Increase (Decrease) in Accrued Payroll and Payroll Taxes	303
Net Cash Provided by (Used In) Operating Activities	$ (1,854)

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

EXHIBIT H

COUNTY OF FRANKLIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2016

	Private-Purpose Trusts	Agency
ASSETS		
Cash and Cash Equivalents	$ 5,193	1,427,399
Total Assets	5,193	1,427,399
LIABILITIES		
Other Liabilities	-	1,427,399
Total Liabilities	-	1,427,399
NET POSITION		
Held In Trust For Other Purposes	$ 5,193	-

COUNTY OF FRANKLIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Private-Purpose Trusts
ADDITIONS	
Miscellaneous Local Sources	$ 52,186
DEDUCTIONS	
Home and Community Services	52,516
Change in Net Position	(330)
Net Position-Beginning of the Year	5,523
Net Position-End of the Year	$ 5,193

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

EXHIBIT I

COUNTY OF FRANKLIN
STATEMENT OF NET POSITION
COMPONENT UNITS
AS OF DECEMBER 31, 2016 AND JUNE 30, 2016

	IDA December 31, 2016	CDC December 31, 2016	SWMA June 30, 2016	RLWPD December 31, 2016	Total
ASSETS					
Cash and Cash Equivalents	$ 399,146	13,108	295,346	13,630	721,230
Restricted Cash and Cash Equivalents	-	-	7,748,519	-	7,748,519
Restricted Investments	-	-	-	-	-
Other Receivables, Net	1,265,100	-	639,964	-	1,905,064
Other Assets	15,988	-	27,678	-	43,666
Land	154,794	-	2,064,979	-	2,219,773
Construction in Progress	-	-	5,295,357		5,295,357
Fixed Assets, Net of Depreciation	784,289	-	10,851,537	10,480	11,646,306
Capitalized Preoperational and Financing Costs, Net	-	-	1,537,058	-	1,537,058
Total Assets	2,619,317	13,108	28,460,438	24,110	31,116,973
DEFFERED OUTFLOW OF RESOURCES					
Deferred Amount on ERS Pension	76,148	-	733,401	-	809,549
Total Deferred Outflows of Resources	76,148	-	733,401	-	809,549
LIABILITIES					
Accounts Payable	32,793	-	1,691,975	-	1,724,768
Accrued Liabilities	1,236	-	43,527	-	44,763
Other Liabilities	-	-	3,942,495	-	3,942,495
Long-Term Liabilities					
Due and Payable Within One Year	-	-	628,607	-	628,607
Due and Payable After One Year	57,180	-	21,801,451	-	21,858,631
Total Liabilities	91,209	-	28,108,055	-	28,199,264
DEFFERED INFLOW OF RESOURCES					
Deferred Inflows on ERS Pension	6,902	-	153,003	-	159,905
Total Liabilities and Deferred Inflow of Resources	98,111	-	28,261,058	-	28,359,169
NET POSITION					
Net Investment in Capital Assets	939,083	-	-	10,480	949,563
Restricted Net Position	-	-	-	-	-
Unrestricted Net Position (Deficit)	1,658,271	13,108	932,781	13,630	2,617,790
Total Net Position	$ 2,597,354	13,108	932,781	24,110	3,567,353

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

EXHIBIT J

COUNTY OF FRANKLIN
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Business-Type Activities: IDA	CDC	SWMA	RLWPD	Total
Business-Type Activities:									
IDA (FYE 12/31/16)									
Administration	$ 342,366	1,860,000	3,329	- -	1,520,963				1,520,963
CDC (FYE 12/31/16)									
Administration	$ 193,167	198,150	-	-		4,983			4,983
SWMA (FYE 6/30/16)									
Landfill Operations	$ 10,241,862	10,876,696	-	-			634,834		634,834
RLWPD (FYE 12/31/16)									
Water District Operations	$ 4,531	-	-	-				(4,531)	(4,531)
Total Component Units	$ 10,781,926	12,934,846	3,329	-					2,156,249
General Revenues (Expenses):									
Other Operating Revenues					-	-	-	-	-
Water District Tax Revenues					-	-	-	10,000	10,000
Restricted Investment Earnings					7,366	2	1,293	-	8,661
Municipal Subsidies and Grants					190,000	-	-	-	190,000
Total General Revenues					197,366	2	1,293	10,000	208,661
Change in Net Position					1,718,329	4,985	636,127	5,469	2,364,910
Net Position-Beginning of the Year					879,025	8,123	296,654	18,641	1,202,443
Net Position-End of the Year					$ 2,597,354	13,108	932,781	24,110	3,567,353

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

THIS PAGE LEFT INTENTIONALLY BLANK

COUNTY OF FRANKLIN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Franklin have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. FINANCIAL REPORTING ENTITY

The County of Franklin, which was incorporated in 1808, is governed by County Law and other general laws of the State of New York and various local laws. The Franklin County Legislature, which is the legislative body responsible for the overall operation of the County of Franklin, consists of seven legislators. The Chairman of the Board serves as chief executive officer, the County manager serves as the chief operations officer, and the County treasurer serves as chief fiscal officer.

The financial reporting entity includes organizations, functions, and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

All governmental activities and functions performed for the County of Franklin are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the County of Franklin, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14, 39 and 61.

The decision to include a potential unit in the County of Franklin's reporting entity is based on several criteria set forth in GASB Statement No. 14, 39 and 61 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County of Franklin's reporting entity.

1. Included in the Reporting Entity:

a. Soil and Water Conservation District

The Franklin County Legislature has declared the County to be a Soil and Water Conservation District in accordance with provisions of the Soil and Water Conservation District Law. Significant factors requiring inclusion of the Soil

and Water Conservation District in the County of Franklin's reporting entity are as follows:

i. Members of the Board of Directors are appointed by the County Legislature.
ii. Administrative costs of the Soil and Water Conservation District are provided primarily through County appropriations.
iii. The County Legislature retains general oversight responsibilities, including monitoring Soil and Water Conservation District activities, through detailed reporting to the County Legislature by the district directors of its work and transactions in such form and for such periods as the Legislature may direct.

The Soil and Water Conservation District is a component unit, part of the primary government, and reported as a special revenue fund type.

b. Franklin County Industrial Development Agency

Franklin County Industrial Development Agency is a public benefit corporation, created by the Franklin County Board of Legislators in 1970 under the provisions of Chapter 18A of the General Municipal Law to encourage economic growth and prosperity in Franklin County, New York. The Franklin County Industrial Development Agency is exempt from federal, state, and local taxes. Although the Agency was established by the Franklin County Board of Legislators, it is considered a separate entity and operates independently. Members are appointed by a municipal governing body and exercise oversight responsibility. The board of the Agency is comprised of seven members appointed by the legislature of Franklin County, New York. The members have complete responsibility for management of the Agency and accountability for its fiscal matters. The Franklin County Industrial Development Agency is considered a component unit of the County of Franklin and is discretely presented.

c. Franklin County Civic Development Corporation

The Corporation was created on June 23, 2010 by the Franklin County Board of Legislators under Section 402 and Section 1411 of the Not-For-Profit Corporation Law for the purpose of encouraging economic growth in Franklin County, New York. The Corporation is exempt from federal, state and local income taxes. The Corporation, although established by the Franklin County Board of Legislators, is a separate entity and operated independently of Franklin County. The Franklin County Civic Development Corporation is considered a component unit of the County of Franklin and is discretely presented. The Board is comprised of seven members appointed by the legislature of Franklin County.

d. County of Franklin Solid Waste Management Authority

The County of Franklin Solid Waste Management Authority was created as a public benefit corporation under New York State Public Authorities Law Sec.

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 interest 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 the County of Franklin 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 Solid Waste Management Authority's Board is comprised of seven members appointed by the Legislature of Franklin County. The Authority is considered a component unit of the County and is discretely presented.

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.

e. Rainbow Lake Water Protection District

The Rainbow Lake Water Protection District was created by New York County Law Section 264(A) on September 9, 1993, to provide a method of levying assessments on landowners within the District, all of whom are benefited from the Lake Kushaqua Dam and to provide for the study, maintenance, administration and ultimate replacement of the dam as well as to monitor the lake levels but not the quality of the water.

The Franklin County Legislature appoints seven Commissioners of the District, five of whom are residents of the District, one of whom is a County employee, and one of whom is an employee of the Department of Environmental Conservation. There is no salary or compensation related to serving as a commissioner. The terms of the Commissioners are four years on a staggered basis. The Rainbow Lake Water Protection District is considered a component unit of the County and is discretely presented.

Complete financial statements of individual component units can be obtained from their respective administrative offices located in Malone, New York.

2. Other Organizations Not Included in Reporting Entity

The Clinton-Essex-Franklin Library System and the North Country Community College are activities undertaken jointly with other municipalities and are excluded from these financial statements. See Note V for additional disclosure regarding these joint ventures.

B. BASIS OF PRESENTATION

1. Government-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the County of Franklin's government-wide activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Individual funds are not displayed, but the statements distinguish governmental activities generally financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions from business-type activities generally financed in whole or in part with fees charged to external customers. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's government-wide activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Accounting

The County of Franklin uses funds to report on its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The County's records its transactions in the fund types described below.

Fund Categories

a. **Governmental Funds** - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (sources, uses, and balances of current financial resources). The following are the County's governmental fund types.

General Fund (Major Fund)

The General Fund is the principal fund and includes all operations not required to be recorded in the other funds.

Special Revenue Funds (Nonmajor Funds)

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Special Revenue Funds of the County include the following:

i. County Roads Fund - is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.
ii. Road Machinery Fund - is used to account for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of the Highway Law.
iii. Soil and Water Conservation District - is used to account for activities performed pursuant to the Soil and Water Conservation Districts Law.

Debt Service Funds (Nonmajor Funds)

Debt Service Funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on general obligation long-term debt. Debt Service funds are used when legally mandated and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

Capital Projects Fund (Nonmajor Fund)

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction, or renovation of capital facilities and other capital assets other than those financed by the proprietary funds.

b. **Proprietary Fund Statements-** used to account for ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus is upon the determination of operating income, Changes in net position, financial position, and cash flows. The following proprietary funds are utilized.

Enterprise Funds- used to account for operations (a) where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis be financed and 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. Included are the following operations:

i. Internal Service Fund - is used to account for the workers' compensation benefits program. This is a proprietary fund reported with governmental activities in the government-wide statements.

Workers' Compensation Fund - is used to account for the accumulation of resources for payment of compensation, assessments, and other obligations under the Workers' Compensation Law, Article 5.

c. **Fiduciary Fund Statements** - used to account for assets held by the local government in a trustee or custodial capacity.

Trust and Agency funds are used for the purpose of accounting for money and property received and held in the capacity of trustee, custodian, or agent. Securities pledged by banking institutions to secure funds on deposit are not included herein since such securities are not assets of the governmental reporting entity.

Expendable Trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

d. **Discrete Presentation**

Franklin County Industrial Development Agency

Resources received and used for economic development are accounted for in the Industrial Development Agency. The agency's financial statements are presented in separate columns in the combined financial statements and accounted for as a proprietary fund type.

Franklin County Civic Development Corporation

Resources received and used for economic development are accounted for in the Civic Development Corporation. The Corporation's financial statements are presented in separate columns in the combined financial statements and accounted for as a proprietary fund type.

County of Franklin Solid Waste Management Authority

The Solid Waste Management Authority's financial statements are prepared using the accrual basis in accordance with generally accepted accounting principles for public authorities. The Authority's financial statements for the year ended June 30, 2016, are presented in a separate column in the combined financial statements and accounted for as a proprietary fund type.

Rainbow Lake Water Protection District

The District's financial statements are presented in separate columns in the combined financial statements and accounted for as a proprietary fund type.

C. BASIS OF ACCOUNTING, MEASUREMENT FOCUS, AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e., expenditures or expenses.

The financial statements of the County of Franklin are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Beginning in 2013, the County adopted the provisions of GASB Statement No. 62 – "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements." This statement codifies all sources of accounting principles generally accepted in the United States into the GASB's authoritative literature.

The County-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction took place. Non-exchange transactions, in which the County of Franklin gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County of Franklin considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the year.

Accrual Basis - Proprietary funds and component units are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Capital assets and long-term liabilities related to these activities are recorded within the funds.

Operating income or loss reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales and services provided. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets.

Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the County's policy to use unrestricted resources first, and then restricted resources as needed.

Allocation of Indirect Expenses

The County of Franklin allocates indirect expenses primarily composed of central governmental services to operating functions and programs benefitting from those services. Central services include overall County management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement, contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of service determined by various allocation methodologies. These charges are reported in the statement of activities.

Component Units

a. The Franklin County Industrial Development Agency's financial statements have been prepared in conformity with generally accepted accounting principles for industrial development agencies.
b. The Franklin County Civic Development Corporation's financial statements have been prepared in conformity with generally accepted accounting principles.
c. The County of Franklin Solid Waste Management Authority's financial statements are prepared using the accrual basis in accordance with generally accepted accounting principles for public authorities. The Authority follows the guidelines provided by the Financial Accounting Standards Board (FASB) except for those that conflict with or contradict Government Accounting Standards Board (GASB) pronouncements.
d. The Rainbow Lake Water Protection District's financial statements are prepared using the accrual basis as an enterprise fund which means that the financial statements are prepared as if the district were an independent nonprofit organization.

D. BUDGETARY DATA

1. Budget Policies

The County of Franklin's budget policies are as follows:

a. No later than October 1, the budget officer submits a tentative budget to the County Board of Legislators for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the General Fund and Special Revenue Funds.
b. After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the Board of Legislators adopts the County budget.
c. The budget officer is authorized to transfer certain budgeted amounts within departments or within a fund; however, all revisions that alter total

appropriations of any department or fund must be approved by the Board of Legislators.

d. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects which remain in effect for the life of the project. Budgets are prepared for proprietary funds primarily to establish the estimated contribution required from other funds.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General and Special Revenue Funds. Encumbrances are reported as restricted, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Significant encumbrances were included in the reporting of fund balance for the following:

Assigned For:	General Fund
Emergency Services	$ 14,781
Data Processing	19,824
DSS	7,984
Total General Fund	$ 42,589

3. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. All unencumbered budget appropriations lapse at the end of each fiscal year.

E. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. ASSETS, LIABILITIES AND FUND EQUITY

1. Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and savings instruments with an original maturity of less than three months.

2. Investments

The County of Franklin invests in authorized investment pools, funds, and U.S. Government Securities. Investments are carried at fair value. Management's intent is to hold all investments to maturity.

The County of Franklin Solid Waste Management Authority's 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 County of Franklin Solid Waste Management Authority has entered into a repurchase agreement. The agreement requires collateralization of cash at 100% and security 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 was April 1, 2015.

The Franklin County Solid Waste Management 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, 2016 were properly covered by FDIC insurance, collateral, or invested in U.S. Treasury backed securities.

All of the County of Franklin Solid Waste Management 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.

3. Receivables

All receivables of the primary government are reported at their settlement amount and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. Past-due accounts receivable of the Franklin County Industrial Development Agency, referred to below, are deemed immaterial to the financial statements of the reporting entity.

The County of Franklin Solid Waste Management Authority's 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.

Bad debts are recognized by the Franklin County Industrial Development Agency in the year in which they are determined uncollectible. The Agency did not write off any receivables during the year ended December 31, 2016.

4. Due to and Due from Other Funds

The amounts reported on the Statement of Net Position for due to and due from other funds represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

5. Inventory

Inventory is valued at cost utilizing the first-in, first-out method in the General Fund. Inventory is stated at the lower of cost or market in the Enterprise Fund.

6. Capital Assets

Capital assets are recorded at actual (historical) or estimated historical cost. Land and vehicles were recorded at historical cost. Leased equipment was recorded at the present value of the minimum lease payments at the inception of the lease. In the case of gifts and contributions, the fair market value at the time received was used. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, ranging from 3 to 40 years, as follows:

	Estimated Useful Lives	Capitalization Threshold
Buildings	40 years	$1,000
Infrastructure	20 years	$1,000
Improvements	15 years	$1,000
Furniture, Fixtures, and Equipment	3-7 years	$1,000

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the financial statements of the Industrial Development Agency are as follows:

	Estimated Useful Lives	Capitalization Threshold	Depreciation Method
Buildings	40 years	$2,500	Straight Line
Building improvements	15-40 years	$2,500	Straight Line
vehicles, furniture and equipment	5-15 years	$2,500	Straight Line

Capital assets are stated at cost for the Franklin County Industrial Development Agency and the Rainbow Lake Water Protection District. Depreciation is provided by the straight-line method at rates sufficient to recognize the cost of such assets over their estimated useful lives.

Property, plant and equipment are also recorded at cost for the County of Franklin Solid Waste Management Authority. 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.

7. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the County's proportion of the collective net pension asset or liability and difference during the measurement period between the County's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the County contributions to the pension system (ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item that qualifies for reporting in this category. The item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the County's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the County's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

8. Unearned Revenue

Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County of Franklin before they have a legal claim to them, such as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the County of Franklin has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

Unearned revenue in the General Fund consists of taxes, which are included in taxes receivable. These taxes receivable will not be collected within 60 days after the year end. Consequently, they are classified as deferred revenue.

9. Environmental and Closure Accruals

State and federal laws and regulations require that the County of Franklin Solid Waste Management Authority place a final cap on its landfills when closed and perform certain maintenance and monitoring functions at the landfill sites after closure.

The Authority maintains a reserve for closure of the regional landfill as established in the 1993 Series Bond Agreement. The balance in the reserve totaled $3,308,450 at June 30, 2016. 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 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 and engineering firm.

10. Fair Value of Financial Instruments

For the Franklin County Solid Waste Management Authority and the County of Franklin Industrial Development Agency, 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 approximate 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.

11. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as due within one year. The remaining portion of such obligations is reported as a liability in the governmental activity and due in more than one year. Long-term liabilities expected to be financed from proprietary fund or component unit operations are accounted for within those funds.

12. Fund Balance

In fiscal year 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Types Definitions (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriations. Fund balance is now broken down into five different classifications of fund balance as follows:

a. **Non-Spendable:**
The non-spendable fund balances include amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the General Fund and County Road Fund. Also includes Prepaid Retirement Costs recorded in the General Fund.

b. **Restricted:**
The restricted fund balances include amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or law or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balances. The County has established the following restricted fund balances:

Unemployment Insurance Reserve

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the succeeding year's budget. The reserve is accounted for in the General Fund.

Health Insurance Reserve

This reserve is used to accumulate funds to pay the cost of the self-insured health insurance plan. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the succeeding year's budget. The reserve is accounted for in the General Fund.

Tax Stabilization Reserve

This reserve is used to finance an unanticipated revenue loss or an unanticipated expenditure chargeable to the eligible portion of the annual budget. This reserve may be used to lessen or prevent projected increases in excess of 2.5 percent of the real property tax levy needed to finance the eligible portion of the annual budget.

The contingency and tax stabilization reserve fund is limited to a balance not to exceed 10 percent of the eligible portion of the annual budget. This reserve is accounted for in the General Fund.

Reserve for Retirement

This reserve is used to accumulate funds for future payments of retirement contributions. The reserve is accounted for in the General Fund.

Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. The reserve is accounted for in the Capital Fund. The County has also designated a Capital reserve in the General fund for mortgage tax receipts received to be used for capital improvements with regards to County owned property.

Federal Equitable Sharing Reserve

This reserve is used to accumulate funds obtained by the County District Attorney and is restricted for only specific expenditures as noted in the federal equitable sharing grant regulations.

c. **Committed:**
The committed portion of the fund balance includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Board.

d. **Assigned:**
The assigned portion of the fund balance includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund and Special Revenue Funds are classified as Assigned Appropriated Fund Balance. The reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year to be potentially expended in the subsequent year. The E911 Reserve and Stop DWI are also included in the assigned unappropriated fund balance as noted by New York State. $0 has been designated in the General Fund as the amount estimated to be appropriated to reduce taxes for the subsequent year.

e. **Unassigned:**
The unassigned portion of the fund balance includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the County.

Order and Use of Fund Balance:
The County's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance. The unassigned portion of the fund balance includes all other General Fund net position that do not meet the definition of the above classification and are deemed to be available for general use by the County.

13. Net Position

The governmental and business-type activities utilize a net position presentation. Net position is categorized as net capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net position not restricted for any project or other purpose.

G. REVENUES AND EXPENDITURES

1. Real Property Taxes

County real property taxes are levied annually no later than December 31 and are due and become a lien on January 1. Taxes are collected during the period January 1 to March 31. Taxes for County purposes are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County of Franklin assumes enforcement responsibility for all taxes levied in the towns.

The County of Franklin has adopted an installment plan for delinquent taxes. After taxes are turned over by the town to the County, land owners can enroll in the installment plan having a minimum 25 percent down payment of all delinquent taxes and paying monthly installments plus interest on the remaining 75 percent. This procedure includes the County's withdrawal of foreclosure on the property. The County has also adopted an partial payment plan with a minimum of a $100 payment for delinquent and current taxes.

Unpaid village taxes and school district taxes are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are relevied as County taxes in the subsequent year.

2. Revolving Funds: Industrial Development Agency

The Franklin County Industrial Development Agency established a revolving loan fund offering low-interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, i.e., enhancement of the economic environment. At the end of December 31, 2002 all of the remaining revolving loan funds were transferred to the Franklin County Local Development Corporation.

3. Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Franklin County Industrial Development Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State of New York. The Franklin County Industrial Development Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

4. Insurance

Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

5. Vacation and Sick Leave and Compensatory Absences

County employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave, and unused compensatory absences. Payment to employees is determined by various rates and is subject to certain limitations.

Estimated vacation and sick leave and compensatory absences accumulated by governmental fund-type employees have been recorded as long-term debt in the government wide funds, and for business-type employees they are recorded as an expense when earned in the proprietary fund types.

Payment of vacation and sick leave recorded as long-term debt is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payments become due. The liability for compensated absences is disclosed in Note IV(B)(3)(a).

6. Post-Retirement Benefits

In addition to providing pension benefits, the County of Franklin provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. In 2016 the County pays a third party provider for all retirees over 65 years of age as supplemental insurance. The premiums are paid by the retired employees and are used to offset the cost incurred by the County. The County of Franklin had 82 retirees participating in the County Plan and 133 in the supplemental plan as of December 31, 2016. In July 2004, the GASB issued Statement No. 45, *Accounting*

and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition, and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local government employers. The provisions of this Statement are effective for the County for periods beginning after December 15, 2007, but the County early implemented the statement in 2007. The County has had an actuarial calculation of the liability. The County will amortize the liability over 30 years.

7. Brownfield Grant

The Industrial Development Agency through the New York State Department of Environmental Conservation, has received a Brownfield Grant to evaluate its Bombay facility. The State will match up to 90% of the cost of the study. Upon the future sale or disposal of the site, New York State will be required to be repaid after the Agency recoups its 10% of costs. As of December 31, 2016, costs have been reimbursed by New York State in the amount of $253,808.

8. Owners' Assessments (Rainbow Lake Water Protection District)

Landowners within the District are assessed tax levies on their respective town tax bill which is levied through Franklin County. These tax levies are based on town assessment data on riparian rights and the annual budget as determined by the District Commissioners. The District retains excess operating funds at the end of the operating year, if any, for future operating period.

9. Tax Status (Rainbow Lake Water Protection District)

The District is a component unit of the Franklin County government under New York County Law Section 264(A). As such, it is not a taxable unit.

H. New Accounting Standards

GASB Statement No. 72 – "Fair Value Measurement and Application" addresses accounting and financial reporting issues related to fair value measurements. Management is evaluating the potential impact of this statement.

GASB Statement No. 73 – "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This Statement, issued in June 2015, establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of Statement No. 68, "Accounting and Financial Reporting for Pensions," as well as requirements for the assets accumulated for purposes of providing those pensions. The requirements of this Statement for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. Requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions as well as the requirements for pension plans within the scope of Statements 67 and 68 are effective for fiscal years beginning after June 15, 2015, which is the fiscal year beginning January 1,

2016 for the County. Management is evaluating the potential impact of this statement.

GASB Statement No. 76 – "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This Statement, issued in June 2015, supersedes Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements should be applied retroactively. Management is evaluating the potential impact of this statement.

GASB Statement No. 77 – "Tax Abatement Disclosures." This statement, issued in August, 2015, requires governmental entities to provide additional disclosures about any tax incentives and tax breaks agreements the entity may have with businesses and individuals to help financial statement users understand the extent and nature of these agreements. Management is evaluating the impact of this statement.

GASB Statement No. 78 – "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans." This statement, issued in December, 2015, addresses a practice issue regarding the scope and applicability of *Statement No. 68, Accounting and Financial Reporting for Pensions*. The issues is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Management is evaluating the impact of this statement.

GASB Statement No. 79 – "Certain External Investment Pools and Pool Participants." This statement, issued in December, 2015, allows certain qualifying external investment pools to measure pool investments at amortized costs for financial reporting purposes by removing reference to the Securities and Exchange Commission's rule 2a7. Management is evaluating the impact of this statement.

I. Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 74 – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement, issued in June 2015, replaces existing standards of accounting and financial reporting for postemployment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the County.

GASB Statement No. 75 – "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective

for fiscal years beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the County.

GASB Statement No. 80 – "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14." This statement, issued in January, 2015 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, "The Financial Reporting Entity," as amended. The requirements for this statement are effective for financial statements for periods beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the County.

GASB Statement No. 81 – "Irrevocable Split-Interest Agreements." This statement, issued in March, 2016, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for financial reporting periods beginning after December 15, 2016, which is the fiscal year beginning January 1, 2017 for the County.

GASB Statement No. 82 – "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73." This statement, issued in March, 2016, addresses certain issues that have been raised with respect to Statements No. 67, "Financial Reporting for Pension Plans," No. 68, "Accounting and Financial Reporting for Pensions," and No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The requirements of this statement are effective for reporting periods beginning after June 30, 2016, which is the fiscal year beginning January 1, 2017 for the County.

GASB Statement No. 83 – "Certain Asset Retirement Obligations." This statement, issued in November of 2016, addresses the accounting and financial reporting for certain asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 30, 2018, which is the fiscal year beginning January 1, 2019 for the County.

GASB Statement No. 84 – "Fiduciary Activities." This statement, issued in January, 2017 attempts to enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the County.

GASB Statement No. 85 – "Omnibus 2017." This statement, issued in March, 2017, attempts to address a wide range of accounting challenges that state and local government financial statement preparers have encountered while implementing and applying a variety of GASB statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the County.

GASB Statement No. 86 – "Certain Debt Extinguishment Issues." This statement, issued in May, 2017, attempts to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement attempts to improve accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the County.

J. PAYMENT IN LIEU OF TAXES (PILOT)

The Industrial Development Agency enters into and administers PILOT agreements for various unrelated business entities located in Franklin County. Under the terms of the PILOT agreements, title to property owned by the unrelated business entity is transferred to the Agency for a certain period of time. The assisted business typically agrees to make PILOTS, which generally are significantly less than the real property taxes which are abated. As part of the program, the Agency generates fees for administering the PILOT agreement. There fees are reported as charges for services in the statement of revenues, expenses, and changes in net position. For the year ended December 31, 2016, the Agency entered into an agreement with EDP Renewals for the Jericho Rise Wind Farm, an approximately $156 million project in the towns of Chateaugay and Bellmont, the Agency receives a fee of 1% of the project costs over the next five years. In 2016, the Agency received the first year installment of $312,000. The IDA Board agreed to a PILOT in the amount of $4,000/megawatt and a Host Community Agreement of $5,000/megawatt for a total of $9,000/megawatt each year for a period of 30 years. An annual escalator not to be lower than 0% nor higher than 2% that will start in year 6. Further, the IDA Board consented to allocating the Economic Development Reserve Fund ($1,000/megawatt per year to be paid over the course of 5 years) to be used by Franklin County for its economic development programs.

K. FRANKLIN COUNTY LOCAL DEVELOPMENT CORPORATION

The Franklin County Industrial Development Agency created a Local Development Corporation known as the Franklin County Local Development Corporation (the "Corporation"). The County of Franklin Industrial Development Agency assigned all the loan repayments from the County Community Development Block Grant (CDBG) Projects to the Corporation for the purpose of establishing a county wide revolving loan fun. Upon the formation of the Corporation, the Agency assigned all of its rights in the CDBG assignment to the Corporation for collection and administration.

NOTE II - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND COUNTY-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the County-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS VS. NET POSITION OF GOVERNMENTAL ACTIVITIES

Total fund balances of the County of Franklin's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets.

The costs of building and acquiring capital assets (lands, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the County as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	$ 120,175,617
Accumulated Depreciation	(69,131,000)
	$ 51,044,617

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets are taxes receivable that are offset by deferred revenue in the governmental funds, and consequently are not included in fund balance.

Adjustment of Unearned Tax Revenue	$ 17,781,837

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

	Due in One Year	Due After One Year	Total
Bonds Payable	$ 620,000	1,310,000	1,930,000
Leases Payable	183,664	2,150,151	2,333,815
Compensated Absences	90,765	816,889	907,654
New York State net Pension Liability	-	13,869,724	13,869,724
Post Employment Benefit Obligations	1,670,986	27,658,268	29,329,254
	$ 2,565,415	45,805,032	48,370,447

As indicated in Note 1, the amounts reported on the Statement of Net Position for due to and due from other funds represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A summary of governmental interfund receivable/payable eliminations is as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 1,579,730	3,648,918
Special Revenue Fund	3,460,751	348
Capital Project Fund	236,800	1,628,015
	$ 5,277,281	5,277,281

Interest on short- and long-term debt is recorded as an expenditure in governmental funds when it is due, and thus requires the use of current financial resources. On the Statement of Net Position, interest is recognized as it accrues, regardless of when it is due. A summary of additional accrued interest on debt as of December 31, 2016 is as follows:

Accrued Interest	$ 10,995

B. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE VS. STATEMENT OF ACTIVITIES

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

1. Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Differences between the governmental funds Operating Statement and Statement of Activities.

Total Revenue and Other Funding Sources of Governmental Funds

Total revenue and other funding sources of governmental funds		$ 99,128,550
Because property taxes will not be collected for several months after the County's year end, they are not considered as "available" revenues in the governmental funds.		74,185
Proceeds from the issuance of debt are recorded as revenue in the governmental funds but this amount is shown as a long term liability on the Statement of Net Position		(1,908,728)
Net revenues of certain internal service funds are reported with governmental activities on the Statement of Activities, net of intercompany charges.		94,333
Elimination of interfund revenue from governmental funds:		
Intergovernmental Charges - SWMA		(6,002,872)
Interfund transfers In	4,398,251	
Interfund transfers Out	(4,398,251)	-
Total revenues and other funding sources of governmental activities in the Statement of Activities		$ 91,385,468

Total Expenditures Reported in Governmental Funds

Total expenditures reported in governmental funds	$ 98,993,122
In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The estimated liability for compensated absences was less than payments by $78,174.	78,547
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of $5,136,602 and loss on disposal of equipment of $88,561 did not exceed capital expenditures of $5,267,934 in the current year.	(42,771)
Repayment of bond principal debt and long term lease are expenditures in the governmental funds, but they reduce long term liabilities in the Statement of Net Position and do not affect the Statement of Activities	(585,000)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	(103,330)
Net operating expenses of certain internal service funds are reported with governmental activities on the Statement of Net Position, less corresponding intercompany charges.	93,748
Home and Community Services -SWMA advances which are offset by intergovernmental charges	(6,002,872)
Estimated net Other Post Employment Benefits Obligation for 2016	1,551,672
GASB68 Adjustment to New York State retirement for the change in pension liability from December 31, 2015 to December 31, 2016	1,940,322
Interest on long term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net interest reported in the Statement of Activities is the result of accrued interest on bonds payable.	(2,926)
Total expenses of governmental activities	$ 95,920,512

NOTE III - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. DEFICIT FUND BALANCE

1. Capital Projects

The Capital Projects Fund has a $699,203 negative unassigned fund balance. This negative unassigned fund balance is a result of expenditures and other uses exceeding revenue and other sources in the Capital Project Fund.

NOTE IV - DETAIL NOTES ON ALL FUNDS AND COMPONENT UNITS

A. ASSETS

1. Cash, Restricted Cash and Investments

The County investment policies are governed by state statutes. In addition, the County has its own written investment policy. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities

Collateral is required for demand deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

a. Cash and Deposits

The County's policies regarding deposits of cash are discussed above. The table presented below is designed to disclose the level of custody credit risk assumed by the County based upon how its deposits were insured or secured with collateral at December 31, 2016. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the County or by its agent in the County's name.
Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
Category 3 - Uninsured and uncollateralized.

		Custody Credit Risk Category			
Type of Deposit	Total Bank Balance	1	2	3	Total Carrying Value
Demand Deposits	$ 4,971,236	570,394	4,400,842	-	3,506,085
Time Deposits	5,946,639	565,723	5,380,916	-	5,841,371
Cash on Hand	-	-	-	-	7,656
Total Deposits	$ 10,917,875	1,136,117	9,781,758	-	9,355,112

Reconciliation to the Statement of Net Assets and Fiduciary Fund:

Unrestricted Cash, including Time Deposits - Governmental Activity	$ 6,435,714
Restricted Cash, including Time Deposits	1,486,806
Fiduciary Fund Cash, including Time Deposits	1,432,592
	$ 9,355,112

b. Restricted Assets

Governmental funds report restricted assets for cash deposited in bank accounts legally restricted for specified uses such as Emergency 911, Unemployment and Health Insurance, County Road Projects, and Bonded Debt.

The following is a detail of restricted assets of the component unit Solid Waste Management Authority as of June 30, 2016:

Cash and Cash Equivalents	$ 7,748,519

Restricted cash and cash equivalents are held in money market funds and are legally restricted in use and purposes by the Authority bond document.

Investments are presented at cost which approximates current market value or the value at the date management anticipates liquidating the investment. Restricted investments consist of marketable 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.

2. Taxes Receivable

At December 31, 2016, real property tax assets of $22,547,768 are reported net of the allowance for uncollectible taxes in the amount of $170,645. Current-year returned village and school taxes of approximately $4,495,286 are offset by liabilities to the villages and school districts, which will be paid no later than April 1, 2017. The remaining portion of tax assets, $17,716,940, is offset by deferred tax revenue of $17,781,837, which represents an estimate of the county tax liens that will not be collected within the first 60 days of the subsequent year. The deferred tax revenue is recorded as income in the GASB 34 reconciliation.

3. Other Receivables, Net

The following is a list of other accounts receivable as of December 31, 2016, which are stated at net realizable value. County management considers these amounts to be fully collectible, except for Not for Profit and PHN:

General Fund		
Public Health Nurses, Net	$	295,682
Other Department Receivables		513,017
Allowance for Uncollectible		(415,000)
Special Revenue Funds		
CDBG Note Receivable		50,979
Road Machinery		283,032
Soil and Water		1,851
County Road		12
Internal Service Fund		
Assessments		3,156
Total Governmental Activities	$	732,729
IDA (Component Unit)		
Accounts and Grants	$	17,100
Fees		1,248,000
SWMA (Component Unit)		
Accounts and Grants Receivable		639,964
Total Component Units	$	1,905,064

4. Changes in Capital Assets

a. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable				
Land	$ 161,993	275,023	-	437,016
Construction in Progress	3,721,039	2,380,858	(3,911,219)	2,190,678
Depreciable				
Buildings	28,490,519	931,485	-	29,422,004
Equipment	13,858,937	1,954,151	(722,821)	15,090,267
Roads	34,040,382	3,057,038	-	37,097,420
Bridges	35,357,633	580,598	-	35,938,231
Subtotal	115,630,503	9,179,153	(4,634,040)	120,175,616
Accumulated Depreciation	(64,628,657)	(5,136,602)	634,260	(69,130,999)
Total	$ 51,001,846	4,042,551	(3,999,780)	51,044,617

Capital assets are stated at cost. Depreciation is provided by the straight-line method at rates sufficient to write-off the cost of such assets over their estimated useful lives.

Depreciation expense of $5,136,602 was charged to the following functions on the Statement of Activities:

General Support	$ 934,031
Public Safety	419,353
Health	12,992
Transportation	3,602,609
Economic Assistance and Opportunity	64,378
Home and Community Service	103,239
Total	$ 5,136,602

b. Franklin County Industrial Development Agency

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated				
Land	$ 154,794	-	-	154,794
Total cost of non-depreciated assets:	154,794	-	-	154,794
Capital assets that are depreciated				
Buildings and improvements	1,285,948	-	-	1,285,948
Furniture & equipment	34,808	-	-	34,808
Total cost of depreciable assets	1,320,756	-	-	1,320,756
Less Accumulated Depreciation				
Buildings and improvements	(469,430)	(33,070)	-	(502,500)
Furniture & fixtures	(33,472)	(495)	-	(33,967)
Total accumulated depreciation	(502,902)	(33,565)	-	(536,467)
Net Capital Assets	$ 972,648	(33,565)	-	939,083

Capital assets are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful life of the related asset. Depreciation charged to operations for the year ended December 31, 2016 was $33,565.

c. Solid Waste Management Authority

	June 30, 2015	Additions/ Deletions	June 30, 2016
Nondepreciable			
Land	$ 2,064,979	-	2,064,979
Depreciable			
Land Improvements	2,040,041	1,966,410	4,006,451
Landfill Cell	13,441,158	5,995,227	19,436,385
Buildings	3,000,658	-	3,000,658
Waste Disposal Equipment, Machinery and Vehicles	4,061,931	2,844,277	6,906,208
Subtotal	22,543,788	10,805,914	33,349,702
Less: Accumulated Depreciation	(21,423,744)	(1,074,421)	(22,498,165)
Total Property, Plant and Equipment	$ 3,185,023	9,731,493	12,916,516

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. The estimated lives used in determining depreciation for

property and equipment vary from five to seven years. Depreciation expense for the period ended June 30, 2016, totaled $1,074,421.

d. Rainbow Lake Water Protection District

The County of Franklin owns the Lake Kushaqua Dam which it acquired from the Rainbow Lake Association, Inc., for $5,000. The dam is being depreciated over its useful life before major repairs might be necessary.

During the fiscal year ended December 31, 2006, significant improvements to the dam were begun that entail the replacement of the slotted boards as the means to control the height of the dam with mechanical gates and safety railings that can respond faster to changes of water level in the lake. A schedule of the dam and its related accumulated depreciation as of December 31, 2016, is as follows:

Dam	$ 5,000
Dam Improvements	12,190
Less Accumulated Depreciation	(10,610)
Construction in Progress	3,900
Dam, Net	$ 10,480

Depreciation expense was $610 for the year ended December 31, 2016.

Significant improvements are needed to the dam. Engineering fees of $3,900 for the design and specifications for the improvements were paid during the 2015 fiscal year. These costs have been capitalized as construction in progress. DEC approval for the dam improvements and issuance of permit is pending as of December 31, 2016.

5. Capitalized Engineering, Cell Expansion costs, and Bond Financing

Solid Waste Management Authority

Capitalized costs relate to various initial start-up costs and costs associated with cell expansions. Also included are bond premium and discount costs when bonds are issued.

A summary of capitalized engineering, cell expansion, and financing costs at June 30, 2016, is as follows:

Construction and engineering costs	$ 3,130,013
Discount on bonds payable	354,152
Premium on bonds payable	(280,175)
Expansion increased costs	1,957,005
Subtotal	5,160,995
Less: Accumulated Amortization	(3,623,937)
Total	$ 1,537,058

Authority establishment costs are amortized over 20 years on a straight-line basis, beginning on June 6, 1994, the date operations began. The ton and expansion increase costs are being amortized over 6 years and 20 years, respectively. Amortization expense related to the establishment and expansion costs totaled $10,955 for the year ended June 30, 2016. Amortization associated with discounts and premiums on bonds payable was ($20,047) for the year ended June 30, 2016. The ton increase costs were completely amortized in 2015 and were removed from the schedule in 2016. The construction and engineering costs were fully amortized during 2016 and will be removed from the schedule next year.

6. Other Assets

Organization Costs (Rainbow Lake Water Protection District)

At the time that the Rainbow Lake Water Protection District was created under New York County Law Section 264(A) by the Franklin County Legislature, the District had accrued financial obligations to its professional contractors and private sponsor in the fulfillment of all legal requirements for the creation of the District as well as obtaining the ownership of the dam. These obligations were as follows:

Franklin County Attorney Office	$	2,500
Smith, Dwyer & Bliss, P.C., Attorneys		12,467
Rainbow Lake Association, Inc., Private Sponsor		19,254
Total Obligations		34,221
Less: Purchase of Dam		(5,000)
Total Organization Costs	$	29,221

As provided in the enabling legislation, reimbursement or repayment of the private sponsor and the contractors may not exceed a maximum amount of $6,000 per year. The organization costs have been fully amortized.

B. LIABILITIES

1. Pension Plan

The County, the Solid Waste Management Authority (the "Authority"), and the Industrial Development Agency (the "Agency"), participate in the New York State and Local Employees' Retirement System (ERS). This is cost-sharing, multiple employer retirement system. ERS is included in the State's financial report as a pension trust fund.

a) Plan Description

The County, the Authority, and the Agency participate in the New York State and Local Employees' Retirement System (ERS) (the "System.") This is a cost-sharing multiple-employer retirement system. 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 was established to

hold all net assets 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 shall adopt and may amend the rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. 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 District 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, can be found at www.osc.state.ny.us/retire/publications/index.php or it may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244

b) Funding Policies

The System is non-contributory, except for employees who joined the New York State and Local Employees Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 10, 2010 who generally contribute three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%) based on salary. Under the County of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions on salaries paid during the New York State Local Retirement Systems fiscal year ending March 31.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending as follows:

		County of Franklin	NCCC	Franklin County Nursing Home	Solid Waste Management Authority	Industrial Development Agency
2016	$	2,297,606	283,270	349,393	137,981	19,616
2015	$	2,660,124	305,062	433,242	219,546	23,474
2014	$	2,655,122	388,801	541,998	158,423	18,855

The NCCC reimburses the County for its share of the retirement costs. Contributions made to the plans were equal to 100 percent of the contributions required for each year.

The employer contribution rates for the ERS plan's year ending in 2016 are as follows:

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

Prior to 2013, the Authority's contributions to the System were equal to 100% of the contributions required for each year. Beginning in 2013, the Authority elected to amortize payments with the Contribution Stabilization Program. For the years ending June 30, 2014 and 2013, the Authority elected maximum amortization of $45,069 and $56,767, respectively, and made contributions of $113,354 and $116,470. The Comptroller of New York State annually determines the interest rate for the program. For the 2014 and 2013 ERS payments, rates of 3.67% and 3.0% respectively were set for each ten year period. For FY 16 and FY 15 the Authority paid the full contribution of $137,981 and $219,546, respectively. The contribution for the years 2016 and 2015 included payments on the 2013 and 2014 deferred amounts.

A summary of the SWMA's future annual minimum maturities of the amortization at June 30, 2016, is as follows:

	Principal	Interest	Total
For the year ended June 30			
2017	9,453	2,617	12,070
2018	9,767	2,303	12,070
2019	10,090	1,980	12,070
2020	10,424	1,646	12,070
2021	10,770	1,300	12,070
2022-2024	27,867	1,708	29,575
	$ 78,371	11,554	89,925

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources

At December 31, 2016, the County, the Authority, and the Agency reported the following liabilities for their proportionate share of the net pension liability for the ERS System. The net pension liability was measured as of March 31, 2016 for ERS. The total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation. The County's, the Authority's, and the Agency's proportion of the net pension liability were based on a projection of the County's, the Authority's, and the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the County, the Authority, and the Agency.

	Franklin County ERS	SWMA ERS	IDA ERS
Measurement date	March 31, 2016	March 31, 2016	March 31, 2016
Net pension liability	$ 15,329,156	702,317	57,180
Authority's portion of the Plan's total Net pension liability	0.0955071%	0.0043757%	0.0003563%

Of the above liability of $15,329,156, the County allocated $1,459,432 to NCCC. The County's net liability was $13,869,724.

For the year ended December 31, 2016, the County's recognized pension expense of $5,175,165 for ERS. At December 31, 2016, the County's reported deferred outflows of resources and deferred inflows of resources related to pensions was:

	ERS Deferred	
	Outflows	Inflows
Differences between expected and actual experience	$ 77,462	-
Change of assumptions	4,087,824	-
Net difference between projected and actual earnings on pension plan investment	9,094,096	-
Changes in proportion and differences between the Authority's contributions and proprotionate share of contributions	-	2,874,950
Authority's contributions subsequent to the measurement date	2,930,269	-
Less: Amounts allocated to NCCC	(1,565,059)	(277,922)
Total	$ 14,624,592	2,597,028

For the year ended June 30, 2016, the Solid Waste Management Authority recognized pension expense of $232,475. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SWMA	
	Outflows	Inflows
Differences between expected and actual experience	$ 3,549	83,248
Change of assumptions	187,287	-
Net difference between projected and actual earnings on pension plan investment	416,653	-
Changes in proportion and differences between the Authority's contributions and proprotionate share of contributions	-	69,755
Authority's contributions subsequent to the measurement date	125,912	-
Total	$ 733,401	153,003

For the year ended December 31, 2016, the Industrial Development Agency recognized pension expense of $22,221. At December 31, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	IDA	
	Outflows	Inflows
Differences between expected and actual experience	$ 289	6,778
Change of assumptions	15,248	-
Net difference between projected and actual earnings on pension plan investment	33,922	-
Changes in proportion and differences between the Authority's contributions and proprotionate share of contributions	7,073	124
Authority's contributions subsequent to the measurement date	19,616	-
Total	$ 76,148	6,902

The County, the Authority, and the Agency had $2,930,269, $125,912, and $19,616 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 year ended December 31, 2017. County and Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Franklin County ERS	SWMA ERS	IDA ERS
Year Ended:			
2017	$ 2,600,946	114,502	12,630
2018	2,600,946	114,502	12,630
2019	2,600,946	114,502	12,630
2020	2,581,594	110,980	11,740
2021	-	-	-
Thereafter	$ -	-	-

Actuarial assumptions – Franklin

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

	ERS
Measurement Date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.0%
Salary scale	3.8% indexed by Service
Projected COLA	1.30%
Decrement tables	April 1, 2010 - March 31, 2015 System's experience
Inflation rate	2.5%

Actuarial Assumptions – SWMA

The total pension liability of the Solid Waste Management Authority was determined using an actuarial valuation as noted in the table below, with updated 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 valuation were as follows:

	SWMA
Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Investment rate of return	7.00%
Salary scale	3.8% indexed by Service
Projected COLA	1.30%
Decrement tables	4/1/10 to 3/31/15 System's experience
Inflation rate	2.50%

The annuitant mortality rates are based on April 1, 2010 – March 31, 2015. System's experience with adjustments for mortality improvements based on MP-2014. The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

Actuarial Assumptions – IDA

The total pension liability of the Industrial Development Agency was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation

used the following actuarial assumptions:

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

	SWMA
Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Investment rate of return	7.00%
Salary scale	3.8% indexed by Service
Projected COLA	1.30%
Decrement tables	4/1/10 to 3/31/15 System's experience
Inflation rate	2.50%

The annuitant mortality rates are based on April 1, 2010 – March 31, 2015. System's experience with adjustments for mortality improvements based on MP-2014. The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term 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 each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

Measurement Date	March 31, 2016	
Asset type	Percentage	Long-Term Expected Rate of Return
Domestic equity	38%	7.30%
International equity	13%	8.55%
Private equity	10%	11.00%
Real estate	8%	8.25%
Absolute return strategies	3%	6.75%
Opportunistic portfolio	3%	8.60%
Real asset	3%	8.65%
Bonds and mortgages	18%	4.00%
Inflation indexed bonds	2%	2.25%
	2%	4.00%

Discount rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions form 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 Systems' 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 County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability) - Franklin County	$ 34,566,133	15,329,156	(925,268)
Employer's proportionate share of the net pension asset (liability) - SWMA	1,583,673	702,317	(42,392)
Employer's proportionate share of the net pension asset (liability) - IDA	128,937	57,180	(3,451)

Pension plan fiduciary net position:

The components of the collective net pension liability of ERS as of the March 31, 2016 measurement date were as follows:

Total pension liability	$ 172,303,544,000
ERS fiduciary net position	156,253,265,000
Employers' net pension liability	$ 16,050,279,000
ERS fiduciary net position as a percentage of total pension liability	90.7%

Prepaid Expense to the pension plan

The employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2016 represent the projected employer contribution for the period of January 1, 2017 through March 31, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Prepaid retirement contributions as of December 31, 2016 amounted to $732,567, $113,376, and $4,904 for the County, the Authority, and the Agency respectively.

Tiers

Membership Tiers-Pension legislation enacted in 1973, 1976, 1983, 2010, and 2012 established distinct classes of membership. The tier status of a member determines eligibility for benefits, formula used in the calculation of benefits, death benefit coverage, service crediting, whether or not a member has required contributions, and member loan provisions. Listed below are the tiers for ERS members:

Tier 1 – Members who enrolled before July 1, 1973
Tier 2 – July 1, 1973 through July 26, 1976
Tier 3 – July 27, 1976 through August 31, 1983
Tier 4 – September 1, 1983 through December 31, 2009

Tier 5 – January 1, 2010 through March 31, 2012
Tier 6 – April 1, 2012 and after

Vesting
Members who joined ERS prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 require 10 years of service credit to be 100% vested.

c) Benefits

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than twenty years. If the member retires with more than twenty years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five of more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with thirty or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of twenty-four additional months. Final average salary is the average of wages earned in the three highest consecutive years. For Tier 1 members who joined on or after September 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4 and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than twenty years. If the member retires with between twenty and thirty years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than thirty years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over thirty years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55, with reduced benefits. Tier 3 and 4 members age 55 or older

with thirty or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages of earned in the highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6
Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with twenty years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than twenty years of service, an additional benefit of 2% of final average salary is applied for each year of service over twenty years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

2. Unavailable Revenue

The following are unavailable revenues:

Community Development Loans (CDBG Fund)	$ 130,102
Social Services Advances and Other (General Fund)	1,282,673
Total	$ 1,412,775

3. Long-Term Debt

The changes in the County of Franklin's long-term indebtedness during the year ended December 31, 2016 are summarized as follows:

	Balance 1/01/16	Additions	Reductions	Balance 12/31/16	Due Within One Year
Governmental Activities:					
Courthouse Serial Bonds 2009	$ 2,515,000	-	585,000	1,930,000	620,000
Capital Leases Liability	528,417	1,908,728	103,330	2,333,815	183,664
Compensated Absences	829,108	78,546	-	907,654	90,765
Post Employment Benefit	27,777,582	3,229,526	1,677,854	29,329,254	1,670,986
Net Pension Liability	2,958,538	10,911,186	-	13,869,724	-
Total Long-Term Debt	$ 34,608,645	16,127,986	2,366,184	48,370,447	2,565,415

a. Compensated Absences

Pursuant to contractual agreements, County employees are entitled to accrue an unlimited amount of sick leave and carry forward annually 21 days (or more with written permission of department head) of vacation leave. Upon retirement, unused sick leave may be converted to additional retirement credit up to a maximum of 165 days. No payments are made for unused sick leave.

i. Governmental Activities
The liability for these fringe benefits computed at current pay rates at December 31, 2016, amounts to $907,654 and is recorded in the governmental funds.

b. Other Post-Employment Benefits

The County has adopted GASB 45 for the year ended December 31, 2008 and is accruing annually the liability over 30 years. The following table is based on actuarial information, using a medical benefits inflation rate of 5% to 8% and a discount rate baseline of 4%. Medical benefits are based on pre and post 65 retirement. Pre 65 benefits is full health insurance with an employee's portion, post 65 is based on supplemental insurance at a lower rate. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The County has elected to amortize these costs over 30 years as allowed in GASB 43/45. This is the annual required contribution for the County of $5,252,939 less the benefit payouts of $1,303,028. The IDA is included in the County's liability calculation for 2016.

Year	Entity	Annual Required Contribution	Actual Contribution Made	Percentage Contributed
2016	General	$ 5,252,939	1,303,028	24.8%
2015	General	$ 5,252,939	1,343,445	25.6%
	IDA	16,886	7,355	43.6%
2014	General	$ 7,334,731	1,117,665	15.2%
	Nursing Home	741,363	372,727	50.3%
	IDA	-	-	0.0%

c. Serial Bonds

The County of Franklin, like most governmental units, borrows money in order to acquire land or equipment or to construct and improve buildings. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. The provision to be made in the future budgets for capital indebtedness represents the amount,

exclusive of interest, authorized by the County to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

i. The Courthouse Public Improvement (Serial) bonds, issued in 2009 at interest rates of 2.50 percent to 3.50 percent, have a final maturity of November 1, 2019. Interest charged to the Debt Service Fund was $83,519 for the year ended December 31, 2016. Interest on the Bonds is payable semi-annually on each May 1 and November 1 until maturity.

d. Leases Payable

In 2015, the County entered into a long-term capital lease agreement for the lease of various pieces of security equipment. As a result of this lease agreement, the County recorded capital asset acquisitions of $132,104 in 2015 and $411,166 in 2016. These assets are being depreciated in accordance with the County's policies. The lease includes an option to purchase the leased equipment for $226,183 after the 2018 payment is made, $114,515 after the 2019 payment is made, or $1 after the 2020 payment is made. The following is a schedule of future principal and interest payments due:

Year	Principal	Interest	Total
2017	$ 105,709	11,658	117,367
2018	108,509	8,857	117,366
2019	111,385	5,982	117,367
2020	114,337	3,030	117,367
	$ 439,940	29,527	469,467

In 2016, the County entered into a long-term lease agreement to finance the cost of placing into service several energy efficient capital improvements to County owned buildings and property as well as the acquisition of several pieces of equipment. As a result of this lease agreement, the County recorded capital asset acquisitions of $1,893,875. These assets are being depreciated in accordance with the County's policies. The lease includes options to purchase the leased equipment for varying prices each year. The following is a schedule of future principal and interest payments due:

Year	Principal	Interest	Total	Purchase Option Price
2017	$ 77,956	65,615	143,571	1,833,787
2018	118,311	53,570	171,881	1,713,252
2019	127,004	50,079	177,083	1,584,140
2020	136,067	46,333	182,400	1,446,096
2021	145,517	42,318	187,835	1,298,751
Thereafter	1,289,020	213,085	1,502,105	From 1,187,356 - 0
	$ 1,893,875	471,000	2,364,875	

In 2016, the County entered into a long-term lease agreement to finance the purchase of a hydraulic excavator. As a result of this lease agreement, the County recorded capital asset acquisitions of $286,000. This asset is being depreciated in accordance with the County's policies. This lease was paid in full during 2016.

e. Debt Limits

It is the opinion of the County of Franklin and its legal counsel that the courthouse lease obligation does not constitute debt for the purposes of the State Constitution and New York State Local Finance Law, nor does it have to be reported as debt on a statement pursuant to Title 9 of the Finance Law. Generally accepted accounting principles, however, require that the leases be treated as a liability regardless of their status under state law.

At December 31, 2016, the outstanding long-term indebtedness of the County aggregated $48,370,447. Of this amount, $1,930,000 was subject to the constitutional debt limit.

f. Maturity Schedule

The following is a summary of bond principal maturities and interest requirements and specific years for payment of compensated absences are not determinable.

	Court House 2009 Serial Bonds	
Year	Principal	Interest
2017	620,000	65,968
2018	645,000	45,044
2019	665,000	23,275
Total	$ 1,930,000	134,287

4. Long-Term Debt- Component Units

a. Bonds Payable -Solid Waste Management Authority

A summary of the Solid Waste Management Authority's bonds payable at June 30, 2016, is as follows:

EFC Note. The note is dated 9/25/2014 and will mature on 9/25/2017. The total available on the note is $10,466,100. The note will bear interest of -0-% on one half and 0.31% on the remaining half, interest is payable on the maturity date.	$ 8,501,509
Solid Waste System Refunding bonds, Series 2015 A & B. Interest payable semi-annually at 3.0% to 5.0%, principal installments of $140,000 through $530,000, first payment due payable annually starting on June 1, 2016 through 2040.	8,410,000
Solid Waste System Revenue Bond Series 2012 Interest payable semiannually at 2.0% to 5.0% principal installments of $200,000 through $370,000 first payments due payable annually starting on June 1, 2015 through 2032	4,405,000
Subtotal	21,316,509
Less current installments	(420,000)
Total bonds Payable	$ 20,896,509

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, 2016, $0 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 percent.

A summary of the Solid Waste Management Authority's future minimum annual maturities for bonds payable is as follows:

	Principal	Interest
For the year ending June 30,		
2017	420,000	522,325
2018	8,931,509	510,025
2019	445,000	492,825
2020	460,000	474,975
2021	475,000	456,475
2022-2026	2,730,000	1,945,575
2027-2031	3,380,000	1,296,575
2032-2036	2,475,000	673,800
2037-2041	2,000,000	204,000
	$ 21,316,509	6,576,575

Interest expense on the above indebtedness was $522,724 for the year ended June 30, 2016, when bond related amortization costs are included. Interest paid was $599,446 for the year ended June 30, 2016.

b. Other Long-Term Debt- Solid Waste Management Authority

A summary of the Solid Waste Management Authority's other long-term debt at June 30, 2016 is as follows:

First Niagara Leasing, Inc. capital lease payable in semiannual installments of $4,723 including interest at 3.20%, due June, 2018, secured by equipment.	$	18,159
BNP Paribus, capital lease payable in semiannual installments of $10,004 including interest at 2.717%, due August 2017, secured by equipment		29,213
Caterpillar Financial Services, capital lease payable in semiannual installments of $35,976 including interest at 2.635%, due August 2017, secured by equipment		105,145
First Niagara Leasing, Inc. capital lease payable in annual installments of $21,099 including interest at 2.76%, due March 2019, secured by equipment.		59,958
Caterpillar Financial Services, capital lease payable in semiannual installments of $43,901 including interest at 2.095%, due February 2018, secured by equipment		171,102
TCF Equipment Finance capital lease payable in semiannual installments of $3,711 including interest at 3.211%, due January, 2020, secured by equipment.		27,655
Total		411,232
Less Current Portion		(208,607)
Net Other Long-Term Debt	$	202,625

Interest expense incurred and paid on the above indebtedness was $13,895 for the year ended June 30, 2016. The Authority incurred $2,189 of additional interest expense on financing of its insurance policy payments during the year ended June 30, 2016.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2016, is as follows:

For the year ending June 30,	2017	$ 208,607
	2018	167,825
	2019	27,553
	2020	7,247
		$ 411,232

b. Long-Term Debt – IDA

The Industrial Development Agency had no long-term debt outstanding as of December 31, 2016. The Agency incurred $12,446 of interest during 2016.

5. Other Liabilities

The following is a summary of other liabilities as of December 31, 2016:

a. Primary Government

Governmental Activities	
Overpayments	$ 43,046
Due to Dept. of Justice	454,653
Accrued Liabilities	1,304,333
Total Governmental Activities	1,802,032
Total Primary Government	$ 1,802,032
Fiduciary Funds	
Restricted Cash and Deposits Payable	$ 1,427,399

b. Component Unit

Solid Waste Management Authority

i. 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, 2016, is as follows:

Total landfill capacity	2,115,758 cubic yards	
Total landfill capacity used through June 30, 2016	1,678,582 cubic yards	
Percentage of total landfill capacity		79.34%
Estimated closure and post-closure costs	$	4,101,442
Environmental and closure accrual	$	3,253,967
Anticipated closure date		2074

ii. Accrued Interest

Accrued Interest Payable	$ 43,527

6. Operating Lease

The County was obligated by an operating lease for a building located on Catherine Street, Malone, New York for the Public Health Nurses and Office of Aging, which was a month-to-month lease in 2016 until these entities moved back

to the court house in late 2016. The County also has one additional lease for the District Attorney who is paying month-to-month.

The County also has three separate copier lease agreements. All three leases are for a term of 60 month. The monthly payment amounts on these leases are $496, $475, and $3,135.

The County entered into a fleet management agreement to dispose of all County vehicles and replace them with a new fleet. The lease agreement has various schedules and addenda based on the delivery date of the vehicles leased. The monthly lease payments vary depending on delivery date and value of the vehicles leased.

C. DUE TO/FROM OTHER FUNDS

Due to/from other funds at December 31, 2016, were as follows:

	Due To	Due From
Major Governmental Activities		
General	$ 3,648,918	1,579,730
Other Governmental Activities		
County Road	348	2,646,851
Road Machinery	-	813,900
Capital Projects	1,628,015	236,800
Enterprise	-	-
Total	$ 5,277,281	5,277,281

These amounts are eliminated with GASB #34.

D. INTERFUND TRANSFERS RECONCILIATION

Operating transfers in (other sources) and operating transfers out (other uses) for the year ended December 31, 2016 were as follows:

Fund	Other Sources	Other Uses
Major Governmental Activities		
General	$ -	4,389,700
Other Governmental Activities		
County Roads	3,295,020	8,551
Road Machinery	391,707	-
Capital Projects	43,005	-
Debt Service	668,519	-
	$ 4,398,251	4,398,251

These amounts are eliminated with GASB #34. Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or

allowed to expend them; (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. FUND BALANCE CLASSIFICATIONS

The following have reserved portions of their fund balances for these designated purposes:

Fund	Purpose	Balance
General	**NonSpendable Fund Balance**	
	Inventory	$ 8,539
	Prepaids	661,750
	Total NonSpendable Fund Balance	$ 670,289
	Restricted Fund Balance	
	Retirement	$ 271,056
	Unemployment Insurance	451,294
	Tax Stabilization	130,149
	Capital Reserve (Mortgage Tax)	702,678
	Federal Equitable Sharing	80,327
	Total Restricted Fund Balance	$1,635,504
	Assigned Fund Balance	
	Stop DWI	$ 32,172
	Economic Development	5,735
	Purchase Orders	42,590
		$ 80,497
Special Revenue Funds		
	NonSpendable Fund Balance	
Road Machinery	Inventory	$ 308,303
Soil and Water	Prepaids	4,330
	Total NonSpendable Fund Balance	$ 312,633
	Restricted Fund Balance	
Soil and Water	Special reserve	$ 122,725
County Roads	Special reserve	462,440
	Total Restricted Fund Balance	$ 585,165
	Assigned Fund Balance	
CDBG	Assigned Unappropriated	$ 56,147
Road Machinery	Assigned Appropriated	499,052
Road Machinery	Assigned Unappropriated	883,615
County Roads	Assigned Appropriated	1,031,968
County Roads	Assigned Unappropriated	940,258
	Total Assigned Fund Balance	$3,411,040

F. DEFERRED COMPENSATION PLAN

Employees of the County of Franklin may elect to participate in the County's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement. The County of Franklin has adopted GASB 32 with regard to financial reporting of deferred compensation plans in accordance with IRC Section 457. The County has established Citistreet as the trustee of its existing deferred compensation plan. Since the County is not the trustee for the plan, the plan does not meet the criteria for inclusion in the County's financial statements. Therefore, at December 31, 2016, the $8,054,020 market value of deferred compensation plan assets is no longer displayed in the Agency Fund within the financial statements.

NOTE V- JOINT VENTURES

The following are activities undertaken jointly with other municipalities which are excluded from the financial statements. Separate financial statements are issued for such joint ventures.

A. JOINT PUBLIC LIBRARY

The Clinton-Essex-Franklin Library System is jointly sponsored by Clinton, Essex, and Franklin Counties under provisions of Article 5 of the Education Law. As a joint venture, separate financial statements are published by the library. Each County's financial participation in the joint venture for the year ended December 31, 2016, was as follows:

Clinton	$	82,149
Essex	$	43,800
Franklin	$	30,426

The following is a summary of financial information included in unaudited financial statements issued for the joint venture as of and for the year ended December 31, 2016:

Total Assets	$	1,601,622
Total Liabilities		228,816
Fund Equity:		
Reserved		50,000
Unreserved		1,322,806
Total Fund Equity		1,372,806
Total Revenues (2016)	$	1,476,203
Total Expenses (2016)	$	1,394,202

B. JOINT COMMUNITY COLLEGE

The North Country Community College is jointly sponsored by Franklin and Essex Counties under provisions of Article 126 of the Education Law. As a joint venture,

separate financial statements are published by the community college. The two counties' financial participation in the joint venture for the 2015 - 2016 fiscal year is as follows:

Franklin	$ 1,240,000
Essex	$ 1,240,000

The following is a summary of the financial information in unaudited financial statements issued for the joint venture as of and for the year ended August 31, 2016:

Total Assets and Deferred Outflows of Resources	$ 7,050,732
Total Liabilities and Deferred Inflows of Resources	(2,979,705)
Net Position	$ 4,071,027
Total Revenues (2015-16)	$ 13,514,868
Total Expenditures (2015-16)	$ 12,455,108

NOTE VI - COMMITMENTS AND CONTINGENCIES

A. LITIGATION AND SUBSEQUENT EVENTS

The County has a total of 9 active tort claims pending as of December 31, 2016. The County is also named in land claims by the Akwesasne Mohawk Indians seeking the return of claimed land and money damages. County management, after considering all relevant facts, including the opinion of the County attorney and outside counsel in certain instances, is of the opinion that such litigation will not, in the aggregate, have a material adverse effect on the County's financial position.

The following are unpaid taxes on Indian Land Claims as of December 31, 2016, and are recorded as Accounts Receivable and Deferred Revenue:

	School Taxes	School Interest and Penalty	Town and County Tax	Base Lien Amount
Fort Covington	$ 219,760	20,086	425,449	770,877
Bombay	2,052,443	236,053	1,832,515	5,531,615
	$ 2,272,203	256,139	2,257,964	6,302,492

It was determined, based on an audit from the U.S. Department of Justice, that $454,653 was considered disallowed costs. The County has accrued this amount as a liability to be paid back to the Department of Justice.

B. SELF-INSURED HEALTH INSURANCE

The County of Franklin incurs costs related to a self-insured employee health plan. The health plan's objectives are to formulate, develop, and administer a program of health insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Lifetime Benefits Solutions, the health plan claims administrator, bills the County for approved benefits due employees. The

County of Franklin has stop-loss insurance, for medical coverage only, to provide protection for claims in excess of $125,000 per individual and a specific insurance limit of $375,000. Liabilities of the health plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including frequency and amount payouts, and are based on a five-week lag per the health plan administrator. The balance of claim liabilities during the past fiscal year is as follows:

Unpaid Claims, Beginning of Fiscal Year	$ 640,522
Plus: Incurred Claims (including IBNR's)	7,812,123
Less: Claim Payments	(7,950,130)
Unpaid Claims, End of Fiscal Year	$ 502,515

C. FEDERAL AND STATE GRANTS

The local government has received grants totaling over $30 million which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowance and a request for a return of funds to the federal and state governments. Based on past audits, the local government administration believes disallowances, if any, will be immaterial.

D. UNEMPLOYMENT INSURANCE

The County of Franklin provides unemployment insurance through direct billings from the New York State Unemployment Insurance Fund. For the year ended December 31, 2016, the County paid $107,355 of benefits from the unemployment insurance reserve. At December 31, 2016, the County recognized a liability for unpaid, unasserted claims of $7,724 for the fourth quarter.

E. SELF-INSURED WORKERS' COMPENSATION

The County of Franklin sponsors and participates in a self-insurance plan for workers' compensation under Local Law No. 3, 1991, pursuant to Article 5 of the Workers' Compensation Law. The self-insurance plan is open to any eligible municipality or public entity for participation. There were 25 participants, including the County of Franklin, at December 31, 2016. The County is responsible for the administration of the self-insurance plan and its reserves and accounts for this self-insurance plan on the modified accrual basis in the Workers' Compensation Fund. The designated reserved retained earnings at December 31, 2016, were $400,000. Additionally, the County has specific excess coverage for workers' compensation and employers' liability insurance for catastrophic losses.

F. OTHER INSURANCE

The County of Franklin is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters' etc. These risks are covered by commercial insurance purchased

from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

G. SERVICES AGREEMENT AND COMMITMENTS AND CONTINGENCIES

Solid Waste Management Authority

On May 1, 1993, the Solid Waste Management Authority entered into a services agreement with the County of Franklin, 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 Solid Waste Management 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 of Franklin 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 of Franklin to the Solid Waste Management Authority for the year ended June 30, 2016, totaled $4,781,077.

The Solid Waste Management 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 $4,781,077 for the year ended June 30, 2016. The Authority owed Franklin County $514,628 at June 30, 2016 which is 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.

H. COUNTY OF FRANKLIIN INDUSTRIAL DEVELOPMENT AGENCY

The agency has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowance and a request for a return of funds.

The agency has received $253,808 from New York State regarding its Brownfield Study at the Bombay facility. These costs will have to be repaid to New York State after the agency recoups its 10% investment.

I. RAINBOW LAKE WATER PROTECTION DISTRICT

The Rainbow Lake Water Protection District has received a loan commitment from a bank for loan proceeds not to exceed $50,000 for the dam improvements. The finalizing of the loan is contingent upon receiving the DEC approval and permit for the dam improvements.

NOTE VII - NET WORKING CAPITAL

	Net Working Capital (Deficit)	Current Assets	Current Liabilities
Solid Waste Management Authority	$ 5,658,870	8,711,507	3,052,637
Civic Development Corporation	13,108	13,108	-
Industrial Development Agency	710,205	744,234	34,029

NOTE VIII - TOBACCO SETTLEMENT PAYMENTS

In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the State and local governments had incurred in treating smoking related illnesses. Under an agreement reached with the tobacco industry referred to as the Master Settlement Agreement (MSA), the State and counties are entitled to receive annual payments. Payments received under the agreement in 2016 totaled $805,084 and are recorded in the General Fund account - Other Compensation for Loss.

NOTE IX - TRIBE-STATE GAMING COMPACT BETWEEN ST. REGIS MOHAWK TRIBE AND STATE OF NEW YORK

In 2004, the State of New York enacted legislation providing for an appropriation of revenue from slot machines at the tribal casino located in Akwesasne. The County of Franklin and the County of St. Lawrence shall receive 50% of the negotiated 25% of the net draw from slot machines made available to the Counties by the State. The County recorded accounts receivable for July 1st to September 30, 2016 based on correspondence from NYS for $683,533 and the last quarter of 2016 in the amount of $580,211, which half is due to the Towns of Bombay and Fort Covington.

NOTE X – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 28, 2017, the date on which the financial statements were available to be issued.

Management of the Rainbow Lake Water Protection District has evaluated subsequent events through January 31, 2017 which is the date the financial statements of the District were available to be issued.

Management of the Solid Waste Management Authority has evaluated subsequent events between June 30, 2016 and October 18, 2016, the date on which the financial statements were available to be issued. On September 22, 2016, the Authority closed on 2016 EFC

Revenue Bonds in the amount of $11,342,974. The proceeds of the bonds were used to pay off the 2014 EFC Bonds outstanding and provide funds for the required debt service reserves as well as funds for the completion of outstanding capital projects.

Management of the Civic Development Corporation evaluated subsequent events through March 7, 2017, the date on which the financial statements were available to be issued.

Management of the Industrial Development Agency has evaluated subsequent events through March 7, 2017, which is the date the financial statements were available to be issued.

NOTE XI – RELATED PARTY TRANSACTIONS

During the year, the County made payments totaling $575,706 to a contractor for contracting services performed for Highway Department projects and E911 projects. This contractor is a related party of an employee of the County.

NOTE XII – RECONCILIATION OF NET CAPITAL ASSETS

Capital assets, net of depreciation		$ 51,044,617
Debt issued to acquire capital assets:		
Serial bonds	(1,930,000)	
Capital leases	(2,333,815)	(4,263,815)
Net investment in capital assets		$ 46,780,802

NOTE XIII – OPERATING LEASES (INDUSTRIAL DEVELOPMENT AGENCY)

The Agency occupies office and storage space under an operating lease with the Community Bank branch at 10 Elm Street, Malone, New York. A new three year lease was entered into commencing May 1, 2015 and terminating April 30, 2018 with an option to renew for an additional three year term. Total expense for rental of office space was $13,936 in 2016. Future minimum rental payments, assuming exercising the option to renew, are as follows as of December 31, 2016:

2017	$ 13,936
2018	13,936
2019	13,936
2020	13,936
2021	4,645
	$ 60,389

NOTE XIV – LEASES (INDUSTRIAL DEVELOPMENT AGENCY)

The Agency leases space to tenants under various operating leases on a month to month basis. The leases are cancelable with a stipulation the tenant provide at least thirty (30) days written notice.

NOTE XV – TAX ABATEMENTS

The County, through its Industrial Development Agency (IDA) and its Local Development Agency (LDC) programs, in an attempt to attract and maintain economic development and job growth in the County, has the ability to induce business with property tax abatement as part of a payments in lieu of taxes (PILOT) program. Total taxes abated during the year ended December 31, 2016 were $64,923.

THIS PAGE LEFT INTENTIONALLY BLANK

REQUIRED SUPPLEMENTATARY INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE 1

COUNTY OF FRANKLIN
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2016	$ -	37,017,400	37,017,400	0.00%	19,077,655	194.04%
December 31, 2015	-	27,777,582	27,777,582	0.00%	19,198,460	144.69%
December 31, 2014	-	28,089,821	28,089,821	0.00%	21,113,816	133.04%

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

SCHEDULE 2

COUNTY OF FRANKLIN
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - EMPLOYEES' RETIREMENT SYSTEM
LAST TWO YEARS *

	Year Ended December 31,					
	2016			2015		
	Franklin County	SWMA	IDA	Franklin County	SWMA	IDA
Measurement date	March 31, 2016	March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2015	March 31, 2015
County's proportion of the net pension liability	0.0955071%	0.0043757%	0.0003563%	0.0387080%	0.0046574%	0.0362000%
County's proportionate share of the net pension liability	$ 15,329,156	$ 702,317	$ 57,180	1,307,653	$ 157,340	$ 12,230
County's covered-employee payroll	$ 17,676,551	$ 1,038,194	$ 123,646	18,884,567	$ 1,294,266	$ 119,487
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	86.7%	67.6%	46.2%	6.9%	12.2%	10.2%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	90.7%	90.7%	97.9%	97.9%	97.9%

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

* Information prior to the year ended December 31, 2015 is not available.

SCHEDULE 3

COUNTY OF FRANKLIN
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS - EMPLOYEES' RETIREMENT SYSTEM
LAST TWO YEARS *

FRANKLIN COUNTY	Year Ended December 31, 2016	Year Ended December 31, 2015
Contractually required contributions	$ 2,297,606	$ 2,660,124
Contributions in relation to the contractually required contribution	(2,297,606)	(2,660,124)
Contribution deficiency (excess)	$ -	$ -
County's covered-employee payroll	19,077,655	19,198,460
Contributions as a percentage of covered-employee payroll	12.0%	13.9%

SWMA	Year Ended December 31, 2016	Year Ended December 31, 2015
Contractually required contributions	$ 125,912	$ 207,475
Contributions in relation to the contractually required contribution	(125,912)	(207,475)
Contribution deficiency (excess)	$ -	$ -
County's covered-employee payroll	1,038,194	1,294,266
Contributions as a percentage of covered-employee payroll	12.1%	16.0%

IDA	Year Ended December 31, 2016	Year Ended December 31, 2015
Contractually required contributions	$ 19,616	$ 23,474
Contributions in relation to the contractually required contribution	(19,616)	(23,474)
Contribution deficiency (excess)	$ -	$ -
County's covered-employee payroll	123,646	119,487
Contributions as a percentage of covered-employee payroll	15.9%	19.6%

* Information prior to the year ended December 31, 2015 is not available.

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

COUNTY OF FRANKLIN
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS - EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)
LAST TWO YEARS *

NCCC	Year Ended December 31, 2016	2015
Contractually required contributions	$ 283,270	$ 305,062
Contributions in relation to the contractually required contribution	(283,270)	(305,062)
Contribution deficiency (excess)	$ -	$ -
County's covered-employee payroll	Not Available	1,998,431
Contributions as a percentage of covered-employee payroll	Not Available	15.3%

NURSING HOME	Year Ended December 31, 2016	2015
Contractually required contributions	$ 349,393	$ 433,242
Contributions in relation to the contractually required contribution	(349,393)	(433,242)
Contribution deficiency (excess)	$ -	$ -
County's covered-employee payroll	-	9,424,813
Contributions as a percentage of covered-employee payroll	0.0%	4.6%

* Information prior to the year ended December 31, 2015 is not available.

SCHEDULE 4

COUNTY OF FRANKLIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
BUDGETARY FUND BALANCE - JANUARY 1	$ 1,830,358	1,830,358	1,830,358	-
RESOURCES (INFLOWS):				
Real Property Taxes	16,380,041	16,380,041	16,275,464	(104,577)
Real Property Tax Items	2,117,887	2,117,887	1,846,567	(271,320)
Non-Property Tax Items	23,595,000	23,595,000	21,738,331	(1,856,669)
Departmental Income	12,274,917	12,508,135	12,202,828	(305,307)
Intergovernmental Charges	6,375,672	6,375,672	6,373,018	(2,654)
Use of Money and Property	423,245	423,245	537,470	114,225
Fines and Forfeitures	274,183	339,221	279,881	(59,340)
Sale of Property and Compensation for Loss	688,000	688,000	819,897	131,897
Miscellaneous Local Sources	3,514,978	4,144,517	4,513,161	368,644
Interfund Revenues	369,094	369,094	366,466	(2,628)
State Aid	15,311,321	19,382,063	17,848,073	(1,533,990)
Federal Aid	8,393,161	10,974,141	10,584,855	(389,286)
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	89,717,499	97,297,016	93,386,011	(3,911,005)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General Government Support	12,080,183	12,189,360	10,779,793	1,409,567
Education	4,908,887	4,888,786	3,764,662	1,124,124
Public Safety	9,833,416	12,532,258	11,477,779	1,054,479
Health	10,396,000	11,580,031	10,816,767	763,264
Transportation	1,368,185	1,368,185	1,114,807	253,378
Economic Assistance and Opportunity	33,378,585	36,246,787	35,275,087	971,700
Culture and Recreation	173,347	176,770	168,767	8,003
Home and Community Services	6,546,222	6,546,222	6,517,816	28,406
Employee Benefits	6,324,124	7,882,879	7,879,461	3,418
Debt Service (Principal and Interest)	117,367	117,367	117,367	-
Transfers to Other Funds	4,355,246	4,389,700	4,389,700	-
Total Charges to Appropriations	89,481,562	97,918,345	92,302,006	5,616,339
Budgetary Fund Balance, December 31	$ 2,066,295	1,209,029	2,914,363	1,705,334

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

SCHEDULE 5

COUNTY OF FRANKLIN
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
BUDGETARY FUND BALANCE, JANUARY 1	$ 4,001,840	4,001,840	4,001,840	-
RESOURCES (INFLOWS):				
Departmental Income	5,000	5,000	535,996	530,996
Use of Money and Property	100	100	142	42
Sale of Property and Compensation for Loss	5,150	5,150	32,237	27,087
Interfund Revenues	118,000	118,000	510,333	392,333
Transfers from Other Funds	3,686,727	3,686,727	3,686,727	-
Amounts Available for Appropriation	3,814,977	3,814,977	4,765,435	950,458
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public Safety	233,477	230,570	171,189	59,381
Transportation	4,970,894	4,902,337	4,461,899	440,438
Total Charges to Appropriations	5,389,371	5,317,907	4,641,639	676,268
Budgetary Fund Balance, December 31	$ 2,427,446	2,498,910	4,125,636	1,626,726

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

COUNTY OF FRANKLIN
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE A - Budget-to-Actual Reconciliation

An explanation of the differences between bugetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

		GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$	93,386,011	4,765,435
Revenues not included in budgetary comparison, not part of the adopted budget, including subrecipient grants		-	2,755,103
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes		-	(3,686,727)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	$	93,386,011	3,833,811
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	$	92,302,006	4,641,639
Expenditures not included in budgetary comparison, not part of the adopted budget, including subrecipient grants		-	6,447,728
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(4,389,700)	(8,551)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	$	87,912,306	11,080,816

THIS PAGE LEFT INTENTIONALLY BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE 6

COUNTY OF FRANKLIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2016

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 569,337	7	890,733	1,460,077
Cash and Cash Equivalents- Restricted	122,725	-	-	122,725
Other Receivables, Net	335,874	-	-	335,874
State and Federal Receivables	16,811	-	1,538,267	1,555,078
Inventories	308,303	-	-	308,303
Prepaid Expenses	4,330	-	-	4,330
Due From Other Funds	3,460,751	-	236,800	3,697,551
Total Assets	4,818,131	7	2,665,800	7,483,938
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	222,689	-	1,736,988	1,959,677
Accrued Liabilities	50,694	-	-	50,694
Due To Other Governments	1,604	-	-	1,604
Other Liabilities	-	-	-	-
Due To Other Funds	348	-	1,628,015	1,628,363
Total Liabilities	275,335	-	3,365,003	3,640,338
Deferred Inflow of Resources				
Unavailable Revenue - Community Development Loans	130,102	-	-	130,102
Fund Balances				
Nonspendable:				
Inventory	308,303	-	-	308,303
Prepaid	4,330	-	-	4,330
Restricted:				
Repairs	462,440	-	-	462,440
Other	122,725	-	-	122,725
Assigned				
Assigned Appropriated	1,531,020	-	-	1,531,020
Assigned Unappropriated	1,880,020	-	-	1,880,020
Unassigned	103,856	7	(699,203)	(595,340)
Total Fund Balances	4,412,694	7	(699,203)	3,713,498
Total Liabilities, Deferred Inflow or Resources and Fund Balances	$ 4,818,131	7	2,665,800	7,483,938

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

SCHEDULE 7

COUNTY OF FRANKLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Departmental Income	$ 557,633	-	-	557,633
Use of Money and Property	993	1	423	1,417
Sale of Property and Compensation for Loss	32,712	-	-	32,712
Miscellaneous Local Sources	15,090	-	-	15,090
Interfund Revenues	601,132	-	-	601,132
State Aid	202,616	-	2,194,040	2,396,656
Federal Aid	-	-	229,171	229,171
Total Revenues	1,410,176	1	2,423,634	3,833,811
EXPENDITURES				
General Government Support	-	-	-	-
Public Safety	171,189	-	-	171,189
Transportation	4,461,899	-	5,405,714	9,867,613
Economic Assistance and Opportunity	373,495	-	-	373,495
Home and Community Services	-	-	-	-
Debt Service (Principal and Interest)	-	668,519	-	668,519
Total Expenditures	5,006,583	668,519	5,405,714	11,080,816
Excess of Revenues Over (Under) Expenditures	(3,596,407)	(668,518)	(2,982,080)	(7,247,005)
OTHER FINANCING SOURCES (USES)				
Proceeds From Debt	-	-	1,908,728	1,908,728
Transfers From Other Funds	3,686,727	668,519	43,005	4,398,251
Transfers To Other Funds	(8,551)	-	-	(8,551)
Net Other Financing Sources (Uses)	3,678,176	668,519	1,951,733	6,298,428
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	81,769	1	(1,030,347)	(948,577)
Fund Balances-Beginning of the Year	4,330,925	6	331,144	4,662,075
Fund Balances-End of the Year	$ 4,412,694	7	(699,203)	3,713,498

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

SCHEDULE 8

COUNTY OF FRANKLIN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2016

	Road Machinery Fund	County Roads Fund	CDBG Fund	Soil and Water Conservation District	Total Special Revenue Funds
ASSETS					
Cash and Cash Equivalents	$ 327,615	2,117	136,874	102,731	569,337
Cash and Cash Equivalents- Restricted	-	-	-	122,725	122,725
Other Receivables, Net	283,032	12	50,979	1,851	335,874
State and Federal Receivables	-	16,811	-	-	16,811
Due From Other Governments	-	-	-	-	-
Inventories	308,303	-	-	-	308,303
Prepaid Expenses	-	-	-	4,330	4,330
Due From Other Funds	527,900	2,932,851	-	-	3,460,751
Total Assets	1,446,850	2,951,791	187,853	231,637	4,818,131
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	35,742	186,947	-	-	222,689
Accrued Liabilities	6,138	43,830	-	726	50,694
Other Liabilities	-	-	-	-	-
Due To Other Governments	-	-	1,604	-	1,604
Due To Other Funds	-	348	-	-	348
Total Liabilities	41,880	231,125	1,604	726	275,335
DEFERRED INFLOW OF RESOURCES					
Unavailable Revenue - Community Development Loans	-	-	130,102	-	130,102
Fund Balances					
Nonspendable:					
Inventory	308,303	-	-	-	308,303
Prepaid	-	-	-	4,330	4,330
Restricted:					
Repairs	-	462,440	-	-	462,440
Other	-	-	-	122,725	122,725
Assigned:					
Assigned, Appropriated	499,052	1,031,968	-	-	1,531,020
Assigned, Unappropriated	597,615	1,226,258	56,147	-	1,880,020
Unassigned	-	-	-	103,856	103,856
Total Fund Balances	1,404,970	2,720,666	56,147	230,911	4,412,694
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	$ 1,446,850	2,951,791	187,853	231,637	4,818,131

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

SCHEDULE 9

COUNTY OF FRANKLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Road Machinery Fund	County Roads Fund	CDBG Fund	Soil and Water Conservation District	Total Special Revenue Funds
REVENUES					
Departmental Income	$ -	535,996	-	21,637	557,633
Use of Money and Property	119	23	807	44	993
Sale of Property and Compensation for Loss	7,800	24,437	-	475	32,712
Miscellaneous Local Sources	-	-	2,972	12,118	15,090
Interfund Revenues	492,333	18,000	-	90,799	601,132
State Aid	-	-	-	202,616	202,616
Federal Aid	-	-	-	-	-
Total Revenues	500,252	578,456	3,779	327,689	1,410,176
EXPENDITURES					
Public Safety	-	171,189	-	-	171,189
Transportation	1,063,970	3,397,929	-	-	4,461,899
Economic Assistance and Opportunity	-	-	-	373,495	373,495
Total Expenditures	1,063,970	3,569,118	-	373,495	5,006,583
Excess of Revenues Over (Under) Expenditures	(563,718)	(2,990,662)	3,779	(45,806)	(3,596,407)
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	391,707	3,295,020	-	-	3,686,727
Transfers To Other Funds	-	(8,551)	-	-	(8,551)
Net Other Financing Sources	391,707	3,286,469	-	-	3,678,176
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(172,011)	295,807	3,779	(45,806)	81,769
Fund Balances-Beginning of the Year	1,576,981	2,424,859	52,368	276,717	4,330,925
Fund Balances-End of the Year	$ 1,404,970	2,720,666	56,147	230,911	4,412,694

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

FEDERAL AWARDS INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE 10

COUNTY OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Funding Agency, Pass Through Agency, and Program Title	Federal CFDA Number		Passed Through to Subrecipients		Expenditures 2016	Program Expenditures By Dept.
U.S. Department of Agriculture:						
Rural Business Enterprise Grant	10.769		$		18,495	
Pass Through Agency - NYS Department of Health and Human Services						
Supplemental Nutrition Assistance Program (SNAP)Administrative Costs	10.561				577,643	
Total U.S. Department of Agriculture						596,138
U.S. Department of Health & Human Services:						
Pass Through Agency - NYS Office of the Aging						
Balancing Incentive Program	93.778				146,008	
Title III-D	93.043				3,156	
Title III-E	93.052				31,400	
Aging Cluster:						
III-B	93.044			45,218		
Nutrition III-C	93.045			68,276		
Commodity Foods-NSIP	93.053			128,161		
Aging Cluster					241,655	
HIICAP	93.779				19,916	
MIPA	93.071				12,855	
						454,990
Pass Through Agency - NYS Department of Family Assistance						
Social Services Block Grant (Title XX)	93.667				446,991	
Temporary Assistance for Needy Families(TANF)	93.558				3,768,542	
(INCLUDES FLEXIBLE FUND FOR FAMILY SERVICES)						
Low Income Home Energy Assistance and WRAP	93.568	*			1,860,512	
Child Care and Development Block Grant	93.575/93.596	*			1,251,320	
Child Support Enforcement (Title IV - D)	93.563				430,764	
Foster Care (Title IV-E)	93.658	*			974,030	
Adoption	93.659				10,329	
						8,742,488
Pass Through Agency - NYS Health Department						
Medical Assistance Program(Medicaid; Title XIX)	93.778	*			2,083,941	
Immunization Action Plan	93.268				34,530	
Childhood Lead Poisoning Prevention	93.994				23,171	
Early Intervention Administration	84.181				22,674	
Federal Reimbursement/CSHCN	93.994				19,085	
Ebola Grant	93.074				39,664	
						2,223,065
Pass Through Agency - NYS Office of Mental Health						
Federal Medicaid Administrative Salary Sharing	93.778	*			11,213	11,213
Pass Through Agency - NYS Office of Alcohol and Substance Abuse Services						
Federal Medicaid Administrative Salary Sharing	93.778	*			6,783	
Block Grants for Prevention and Treatment of Substance Abuse	93.959		302,481		302,481	
						309,264
Pass Through Agency - Health Research Incorporated						
Public Health Emergency Preparedness Program	93.069				58,458	
HLP and Colorectal	93.283				15,734	
						74,192
Pass Through Agency - National Association of County and City Health Officials						
Medical Reserve Corps (MRC)	93.008				0	
						0
Total U.S. Depatment of Health and Human Services						11,815,212
U.S. Department of Labor:						
Pass Through Agency - NYS Office of the Aging						
Title V	17.325				87,591	
Total U.S. Department of Labor						87,591

See accompanying Notes to Schedule of Expenditures of Federal Awards.

U.S. Department of Transportation:					
Pass Through Agency - NYS Department of Transportation					
Public Transportation	20.509		49,963		
Formula Grants for Rural Areas				49,963	
Federal Aid Highway Program(Safe Routes to School)	20.205		35,282		
Federal Aid Highway Program(HBRR/STP)	20.205		136,814		
Highway Planning and Construction Cluster				172,096	
Job Access Reverse Commute (JARC)	20.516		148,249		
Transit Services Programs				148,249	
Ignition Interlock	20.601		7,345		
Highway Safety Cluster				7,345	
Total U.S. Department of Transportation					377,653
U.S. Department of Homeland Security					
Pass Through Agency - New York State Division of Homeland Security and Emergency Services					
Homeland Security Grant Program- SHSP	97.067		49,880		
Homeland Security Grant Program- SHSP-Technical Rescue	97.067		16,850		
Law Enforcement Terrorism Prevention Program (LETPP)	97.067		17,137		
Operation Stonegarden	97.067		157,894		
Homeland Security Grant Program				241,761	
Hazard Mitigation Grant (HMGP)	97.039	*		668,684	
Emergency Services	97.042			24,328	
Total U.S. Department of Homeland Security					934,773
U.S. Department of Justice:					
Pass Through Agency- New York State Division of Criminal Justice					
State and Local Domestic Preparedness Technical Assistance	16.010			9,847	
Byrne Discretionary Program (Jail)	16.579			10,000	
Byrne Discretionary Program (DA)	16.579			13,300	
Federal Equitable Sharing	16.922			18,944	
Total U.S. Department of Justice					52,091
Total Federal Financial Assistance Program Expenditures		$	302,481		13,863,458

*** Major Program**

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF FRANKLIN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE B - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County of Franklin under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs administered by Franklin County, New York, an entity as defined in the financial statements, except that it does not include the federal financial assistance programs, if any, of the Franklin County Industrial Development Agency.

2. PASS-THROUGH PROGRAMS

Where the County of Franklin receives funds from a government entity other than the federal government ("pass-through"), the funds are accumulated based upon the Catalog of Federal Domestic Assistance ("CFDA") number advised by the pass-through grantor. Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors, are not maintained in the County's financial management system.

3. NONMONETARY FEDERAL PROGRAMS

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-monetary programs". During the fiscal year ended December 31, 2016, Franklin County distributed over $11 million worth of food stamps to eligible persons participating in the Food Stamps Program (CFDA Number 10.561). This amount is not included in the schedule of expenditures of federal awards, only the portion for administrative reimbursement and emergency are included

In 2008, the State started to pay for all regular HEAP payments to individuals instead of the County. For 2016, the State paid over $1,656,102 in HEAP benefits to eligible directly Franklin County residents. This amount is included in the schedule of expenditures of federal awards.

NOTE C - INDIRECT COSTS / INDIRECT COST RATE

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented. The County did not elect to use the 10 per cent de minimum indirect cost rate as permitted under Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE D - MATCHING COSTS

Matching costs, i.e., the County of Franklin's share of certain program costs, are not included in the Schedule of Expenditures of Federal Awards.

INTERNAL CONTROL AND COMPLIANCE

THIS PAGE LEFT INTENTIONALLY BLANK

Cathie J. Bridges, CPA
Kenneth S. Frank, CPA
Roger J. Lis, Jr. CPA
Denise D. Veloski, CPA
Julie L. Jagoda-Booth, CPA
Kathryn A. Larracuente, CPA

R. A. MERCER & CO., P.C.
Certified Public Accountants
290 Center Road
West Seneca, New York 14224
Phone 716-675-4270 Fax 716-675-4272
www.ramercercpa.com

Raymond A. Mercer, CPA 1931-1983
Robert W. Irwin, CPA

INDEPENDENT AUDITOR'S 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 Chairwoman and Members
of the Legislature
County of Franklin
Malone, New York 12953

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 governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 28, 2017. Our report includes a reference to other auditors who audited the financial statements of the Franklin County Industrial Development Agency, the Franklin County Civic Development Agency, the County of Franklin Waste Management Authority, and the Rainbow Lake Water Protection District, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. Items noted are 2014-001 and 2016-001 (SWMA audit).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Items noted are 2016-002 (SWMA audit), 2016-003 (SWMA audit), 2016-004 (SWMA audit), and 2016-005 (SWMA audit).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-003 (SWMA audit).

County of Franklin's Response to Findings

The County of Franklin's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

R.A. MERCER & CO., P.C.

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

West Seneca, New York
August 28, 2017

Cathie J. Bridges, CPA
Kenneth S. Frank, CPA
Roger J. Lis, Jr. CPA
Denise D. Veloski, CPA
Julie L. Jagoda-Booth, CPA
Kathryn A. Larracuente, CPA

R. A. MERCER & CO., P.C.
Certified Public Accountants
290 Center Road
West Seneca, New York 14224
Phone 716-675-4270 Fax 716-675-4272
www.ramercercpa.com

Raymond A. Mercer, CPA 1931-1983

Robert W. Irwin, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Chairwoman and Members
of the Legislature
County of Franklin
Malone, New York 12953

Report on Compliance for Each Major Federal Program

We have audited the County of Franklin's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Franklin complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of the County of Franklin is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

R.A. MERCER & CO., P.C.

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

West Seneca, New York
August 28, 2017

COUNTY OF FRANKLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I – Summary of Auditors Results

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? __x___ yes _____ no

Significant deficiency(ies) identified? __x___ yes _____none reported

Noncompliance material to financial statements noted? __x___ yes _____ no

Federal Awards

Internal control over major programs;

Material weakness(es) identified? _____ yes __x__ no

Significant deficiency(ies) identified? _____ yes __x__ none reported

Type of auditors report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes __x__ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.568	Low Income Home Energy Assistance and WRAP
93.575	Child Care and Development Block Grant
93.658	Foster Care
93.778	Medical Assistance
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and type B programs: **$ 750,000**

Auditee qualified as low-risk auditee? _____ yes __x___ no

Section II – Financial Statement Findings

2014-001 Management Overrides- Material Weakness in Internal Controls

Condition and Criteria: We have noted since 2014 that the Highway Department Supervisor has circumvented the policy and procedures of the County in several instances. The County's internal controls did not detect some of these transactions in 2014, but did note other instances after the transaction has been initiated or completed and binding the County legally since 2014. Some of these items include additional work done on a County highway what was not included in the original proposal, charging Highway personnel to other departments without proper documentation of hours and cost, lack of documentation on actual hours used on projects outside the highway department for grants and purchasing equipment from a lease based on an email quote. We do note that some of these items have saved the County money, but the manner in which these transactions occur are not within the policies and procedures of the County.

Cause: No controls over Management overrides in the Highway Department.

Recommendation: We recommend that the County investigate the ongoing abuse regarding the Highway Superintendent and follow proper protocol in a matter of this magnitude. We recommend that additional controls be put in place to ensure this type of action is not duplicated. We also recommend additional training of this department with regards to proper procedures.

Response:

The County continues to investigate and address any action that is not in compliant with County Policies and Procedures. Such violations are reported to the Board of Legislature to determine what action will be taken. The Highway Superintendent has been informed that it is the expectation of the County that all policies, procedures and laws are followed. Additional policies and procedures have been written and current policies have been updated to address the Condition and Criteria as reported above. The Highway Superintendent as subsequently resigned and is effective September 15, 2017.
In reference to the purchasing of equipment from a lease based on an email quote, this was discussed with the County Manager, County Attorney, Public Works & Public Safety Legislative Committee and subsequently the Board of Legislature and approval sought to make the lease payment.

2016-001 (2015-001) Deficiencies in the Design of Controls over financial statement preparation (Solid Waste Management Authority) (Material Weakness)

Condition and Criteria: The Authority's statements are reported using the accrual basis of accounting. Under this method, expenses are recorded when the related liability is incurred and revenues are recorded when earned. We noted multiple instances of improperly recorded transactions that were not reconciled to supplementary schedules and the underlying records requiring significant and material adjustments. Without the proper recording of certain transactions, the Authority's actual economic state is not being reflected. The auditor cannot be considered part of the Authority's internal control. Additionally, the Authority cannot rely on audit adjustments to correct its financial statements; it is not allowable for an independent auditor to perform in that capacity. We proposed material audit adjustments that would not have been identified as a result of the Authority's existing internal controls and, therefore, could have resulted in a material misstatement of the Authority's financial statements.

Recommendations: We recommend that the Authority reconcile all balance sheet general ledger accounts on a monthly basis to be certain that the proper balance is being reflected.

Management's response: The Authority will ensure that all general ledger accounts are balanced on a monthly basis and verify that the proper balances are reflected at the end of each month.

2016-001 Deficiencies in the Design of Controls over financial statement preparation (County of Franklin Industrial Development Agency) (Material Weakness)

Condition and Criteria: The Agency's statements are reported using the accrual basis of accounting. Under this method, expenses are recorded when the related liability is incurred and revenues are recorded when earned. We noted the Agency did not properly record certain receivables requiring a material adjustment. Without the proper recording of certain transactions, the Agency's actual economic state is not being reflected. The auditor cannot be considered part of the Agency's internal control. Additionally, the Agency cannot rely on audit adjustments to correct its financial statements; it is not allowable for an independent auditor to perform in that capacity. We proposed material audit adjustments that would not have been identified as a result of the Agency's existing internal controls and, therefore, could have resulted in a material misstatement of the Agency's financial statements.

Recommendations: We recommend that the Agency reconcile all balance sheet general ledger accounts on a monthly basis to be certain that the proper balance is being reflected.

Management's response: The Agency will ensure that all general ledger accounts are balanced on a monthly basis and verify that the proper balances are reflected at the end of each month.

2016-002 (2015-002) Segregation of Duties (Solid Waste Management Authority) (Significant Deficiency)

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 and prepares the bank reconciliations. The bookkeeper also handles cash disbursements and the creation of new vendors. The bookkeeper has access to the payroll system and is entering employee time and processing payroll. This represents a segregation of duties problem. Additionally, the bookkeeper is responsible for assigning user rights and passwords in the scale software system.

Recommendation: Although we noted the Authority has implemented several mitigating controls to help detect errors or irregularities, due to the small size of the Authority's office staff, a perfect set of controls may not be possible. Therefore, we recommend that the Board be aware of the segregation of duties problem and continue to implement both preventative and detective controls over the business operating functions to help reduce the risk of misuse of the Authority's assets.

Management's Response: The Authority recognizes the segregation of duty problems. We will continue to implement preventative and detective controls when possible to minimize the misuse of Authority assets

2016-003 Controls over Cash Deposits (Solid Waste Management Authority) (Significant Deficiency)

Condition and Criteria: Adequate controls over cash receipts, deposits, and reconciliations are critical internal control elements. We noted instances where deposits were not made in accordance with the Authority's cash deposit policy and reconciliations were not performed in a timely basis. In one situation, although immaterial, the theft of a deposit was not discovered for several weeks after it occurred. This significantly impeded the investigation of the theft. Reconciling deposits to the bank activity on a regular basis are necessary to detect discrepancies and to act promptly to report and recover stolen or lost funds.

Recommendation: We recommend that the Authority strictly adhere to the adopted cash policy. Every deposit should be reconciled to the bank activity on a daily basis. Controls should be put in place that segregate the bank reconciliation process from the cash related duties. Mail should be retrieved and opened by an employee not responsible for accounting. Cash receipts could be recorded and the deposit prepared by this person. Bank statements, canceled checks, and appropriate advices should be received by someone other than the employee maintaining cash records. Such items should be periodically reviewed prior to turning them over for reconciliation. Any unusual items should be investigated promptly. Signed checks should be mailed without allowing them to be returned to the employee responsible for accounts payable.

Management's Response: The Authority will strictly adhere to the cash management policy. Controls will be put in place to segregate the bank reconciliation process from cash related duties. Mail will be retrieved by an employee who is not responsible for accounting. All mail will be time stamped and forwarded to the appropriate recipient. Bank statements will be opened and reviewed by the Executive Director prior to bank reconciliation. Any unusual items will be opened and reviewed within 24 hour. Signed checks will be prepared for mailing and mailed by an employee not responsible for accounts payable.

2016-004 Controls over Cash Disbursement Process (Solid Waste Management Authority) (Significant Deficiency)

Condition and Criteria: We noted instances of weaknesses in internal controls over the purchasing and disbursement processes during our testing. We noted a situation where the delivery provider for electricity was changed without proper authorization or the knowledge of the Board. This resulted in the improper payment of sales tax on government purchases that was not detected during the year. We also noted sales tax was paid during the year on the telephone service provider. Both situations resulted in unnecessary expenditures, however the Authority was ultimately provided a refund from the vendor providing the electricity delivery. We observed during our testing of open invoices that a significant amount of vendor invoices had not been entered into the accounting program. Invoices should be entered on a daily basis to ensure proper financial reporting and controls.

Recommendation: We recommend that the Authority put procedures in place that require authorizations of the change in vendors that will impact the Authority. All disbursements should be reviewed prior to payment to ensure sales tax is not being charged. All transactions should be entered into the system timely.

Management's Response: Utility suppliers will not be changed without the appropriate authorization of the Executive Director or the Authority's Board. Vendor invoices will be entered

into the accounting program upon receipt or within 24 hours. The Authority will ensure that sales tax will not be paid to any vendor and all vendors will be informed of the Authority's government status for the exemption.

The following item is considered an instance of noncompliance

2016-005 Debt Service Reserve Requirement Compliance (Solid Waste Management Authority) (Significant Deficiency)

Condition and Criteria: Section 601(1)(iii) of the 1993 bond resolution, as amended to date, requires the Authority to maintain a Debt Service Reserve Fund in an amount equal to 100% of the maximum annual debt service. According to the bond amortization schedule, the maximum required payment related to the 2012 and 2015 Bonds occurs in 2017 and is $942,325.00. The amount on deposit was $871,333.78, a deficit of the total Debt Service Reserve Fund requirement of $70,991.22. At times during the fiscal year, the Authority was not in compliance with the 1993 Bond Resolution.

Recommendation: We recommend that the Authority evaluate the Debt Service Reserve Fund on a regular basis to ensure compliance with the bond resolution throughout the year.

Management's Response: The Authority on a regular basis in conjunction with its financial advisor will ensure that the Debt Service Reserve Funds are in compliance with the bond resolution.

Section III – Federal Award Findings and Questioned Costs

No Findings Over Federal Awards

COUNTY OF FRANKLIN
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

The following items were audit findings noted in the December 31, 2015 audit report.

2014-001 Material Weakness in Internal Controls

Condition and Criteria: We noted that a check written to the Franklin County Highway department was endorsed by the Highway Superintendent, who was unauthorized to do so as noted in the Cash Management Policy. This check was then used to purchase supplies for the erection of a building based on a "quote" including labor, not an invoice in December 2014 and deposited by the vendor in 2014. As of our fieldwork in the first week of June 2015 the supplies were not delivered nor was an invoice available for review. The revenue and the expense were not recorded on the County's records. The County's internal controls did not detect this transaction or detect the management override of controls to pay a vendor.

Cause: No controls over Management overrides and lack of controls regarding the department that issued the check.

Recommendation: We recommend that the County investigate the abuse noted above regarding the Highway Superintendent and follow proper protocol in a matter of this magnitude. We recommend that additional controls be put in place insure this type of action is not duplicated. We also recommend training of all departments with regards to proper procedures.

Current Status: This comment is reported on again in 2016 as Management overrides.

2015-001 Deficiencies in the Design of Controls over financial statement preparation (Solid Waste Management Authority) (Material Weakness)

Condition and Criteria: The Authority's statements are reported using the accrual basis of accounting. Under this method, expenses are recorded when the related liability is incurred and revenues are recorded when earned. During our review of accounts payable and search for unrecorded liabilities we noted instances of unrecorded accounts payable for services provided and goods delivered prior to yearend for the Cell 5 construction and expansion projects. Retainage was also not recorded. Service fees and revenues were not properly matched within the same period. Without the proper recording of certain transactions, the Authority's actual economic state is not being reflected. The auditor cannot be considered part of the Authority's internal control. Additionally, the Authority cannot rely on audit adjustments to correct their financial statements; it is not allowable for an independent auditor to perform in that capacity. We propose material audit adjustments that would not have been identified as a result of the Authority's existing internal controls and, therefore, could have resulted in a material misstatement of the Authority's financial statements.

Recommendations: We recommend that the Authority implement procedures to track and monitor outstanding invoices for all capital projects during the year and especially at year end. They should review open projects for unbilled goods and services received at year end, and record retainage withhold on projects as an expense and corresponding liability.

Current Status: This comment is reported on again as 2016-001.

2015-002 Segregation of Duties (Solid Waste Management Authority) (Significant Deficiency)

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 and prepares the bank reconciliations. The bookkeeper 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: Although we noted the Authority has implemented several mitigating controls to help detect errors or irregularities, due to the small size of the Authority's office staff, a perfect set of controls may not be possible. Therefore, we recommend that the Board be aware of the segregation of duties problem and continue to implement both preventative and detective controls over the business operating functions to help reduce the risk of misuse of the Authority's assets.

Current Status: This comment is reported on again as 2016-002

2014-003 Collateralization of Cash Deposits (Solid Waste Management Authority) (Significant Deficiency)

Condition and Criteria: The Authority is required by local law to collateralize any of its cash deposits which are in excess of the Federal Deposit Insurance Corporation Limit (FDIC). There were deposits exceeding FDIC insurance at June 30, 2014 of $12,537,745 that were not collateralized.

Recommendation: We recommend that the Authority monitor and verify cash and investment balances to determine that the financial interests of the Authority are adequately protected. Deposits exceeding FDIC insurance limits should be transferred to accounts with sufficient collateral coverage.

Current Status: This comment was cleared.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

CFDA# 16.222 Federal Equitable Sharing, U.S. Department of Justice

Criteria: Due to the fact that no Compliance supplement is available for this grant, the criteria followed is the U.S. Department of Justice Criminal Division- "Guide to Equitable Sharing for State and Local Law Enforcement Agencies", April 2009 guide. Noted sections are as follows:

1. Section VIII (A)(1)(j)- Asset accounting and tracking
2. Section IX (A)(6)- Establish internal procedures to recommend expenditures from the revenue account
3. Section IX (A)(9)- Obtain approval for expenditures from the governing body, such as the town council or city manager's office, if appropriate
4. Section IX (A)(10)- Upon final approval, issue contracts or purchase orders to formally disburse deposited assets for goods and services.

Condition: The District Attorney's office which controls these funds does not have written policies or procedures regarding purchasing, including dollar value for bids. **(Compliance area- Allowable costs and Procurement/Section IX (A)(6)** Bidding procedures are not consistently completed or documented. This Office does not use the County system for these expenditures. **(Section IX (A)(9))** We noted over payment of invoices, no documentation of approvals of invoices, paying bills which were not approved by the County Auditor due to lack of contract, for County line items. **(Section IX (a)(10))** We also noted that a check was written to the County Highway department which was subsequently endorsed and given to a vendor based on a quote, not an actual invoice. Also records are not maintained for equipment acquired with these federal funds. **(Compliance area- Equipment and Real Property Management/ Section VIII (A)(1)(j))**

Questioned Costs: $73,328, which is the check written with no invoice or approvals. Also reviewed additional $82,246 in disbursements, twenty-five checks in total which had no documentation of approval. Also three of the disbursements were for office equipment or surveillance equipment.

Effect: Noncompliance with Guide is enumerated in Section XI.

Recommendation: We recommend that the District Attorney's office either establish its own policies and procedures, then train its staff to comply with those areas, or follow the County's policies and procedures. Also, the District Attorney office must keep track of all assets purchased with these federal funds, and follow the required procedures when disposing or selling these items per the guide.

Current Status: This item has been cleared and the funds have been replenished into a restricted bank account that at the time of the audit cannot be accessed. We have recorded a contingent liability for the additional $400 thousand the Grantor is requesting and have included a comment in the management letter.

STATE DOT REQUIRED SUPPLEMENTAL INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

Cathie J. Bridges, CPA
Kenneth S. Frank, CPA
Roger J. Lis, Jr. CPA
Denise D. Veloski, CPA
Julie L. Jagoda-Booth, CPA
Kathryn A. Larracuente, CPA

R. A. MERCER & CO., P.C.
Certified Public Accountants
290 Center Road
West Seneca, New York 14224
Phone 716-675-4270 Fax 716-675-4272
www.ramercercpa.com

Raymond A. Mercer, CPA 1931-1983

Robert W. Irwin, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND CONTROLS OVER STATE TRANSPORTATION ASSISTANCE EXPENDED BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Chairwoman and Members
Of the Legislature
County of Franklin
Malone, New York 12953

Compliance

We have audited the compliance of the County of Franklin with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on each of its state transportation assistance program tested for the year ended December 31, 2016. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questions costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state transportation assistance programs.

Auditors' Responsibility

Our responsibility is to express and opinion on compliance for each of the County of Franklin's, New York's State transportation assistance programs tested based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Draft part 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the County of Franklin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state transportation assistance program tested. However, our audit does not provide a legal determination on the County of Franklin's compliance with those requirements.

Opinion

In our opinion, the County of Franklin complied in all material respects with the requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2016.

Internal Control Over Compliance

The management of the County of Franklin is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the County of Franklin's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state transportation assistance program tested and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance, that we consider to be material weaknesses.

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the County of Franklin as of and for the year ended December 31, 2016, and have issued or report thereon dated August 28, 2017. Our audit was performed for the purpose of forming an opinion on the County of Franklin's financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft part 43 of NYCRR, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the County of Franklin's management and the New York State Department of Transportation, however, this report is a matter of public record and its distribution is not limited.

R.A. MERCER & CO, P.C.

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

West Seneca, New York
August 28, 2018

COUNTY OF FRANKLIN
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2016

Program Title	NYDOT Contract/Ref. Number	Expenditures
CHIPS Capital Reimbusrement Project	720000	$ 2,170,548
Marchicelli/bond Match for Federal Aid Highway	PIN775336.121	12,104
	PIN775358.121	13,549
Total		$ 2,196,201

COUNTY OF FRANKLIN
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2016

A. General

The accompanying Schedule of State Transportation Assistance Expended of the County of Franklin presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

B. Basis of Accounting

The accompanying Schedule of State Transportation Expended is presented using the accrual basis of accounting.

C. Indirect Costs

No indirect costs allocated to any of these projects.

D. Matching Costs

For the Marchicelli program the County match is 5% of the costs as follows:

PIN775336.121	$4,035
PIN775358.121	$4,516

E. Amounts Paid to Subrecipients

The County had no subrecipients with these grants.

COUNTY OF FRANKLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION ASSISTANCE EXPENDED FOR THE YEAR ENDED DECEMBER 31, 2016

Summary of Audit Results:

Internal Control over state transportation assistance expended:

Material weakness(es) identified	No
Reportable conditions identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for programs tested:	Unmodified

Identification of State transportation Assistance Programs tested:

Name
CHIPS- Capital Reimbusements
State portion of Marchicelli

Compliance Findings and Questioned Costs:

No matters were reported.

Cathie J. Bridges, CPA
Kenneth S. Frank, CPA
Roger J. Lis, Jr. CPA
Denise D. Veloski, CPA
Julie L. Jagoda-Booth, CPA
Kathryn A. Larracuente, CPA

R. A. MERCER & CO., P.C.
Certified Public Accountants
290 Center Road
West Seneca, New York 14224
Phone 716-675-4270 Fax 716-675-4272
www.ramercercpa.com

Raymond A. Mercer, CPA 1931-1983

Robert W. Irwin, CPA

August 28, 2017

To the Franklin County Legislature
Franklin County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Franklin County for the year ended December 31, 2016 . Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *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 February 22, 2017. 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 Franklin County are described in Note I-H to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. 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 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the County's financial statements was:

> Management's estimate of the doubtful accounts is based on past evidence. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

> The disclosure of Indian Land Claims in Note VI-A to the financial statements.

The 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 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 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 August 28, 2017.

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 Franklin County'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 122, we have documented material weaknesses and significant deficiencies in relation to Franklin County and its component units.

Other Matters

With respect to the supplementary information accompanying the financial statements, including the required 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 U.S. generally accepted accounting principles, 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 financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the County Legislature and management of Franklin County 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.