COUNTY OF FRANKLIN

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

INCLUDING SINGLE AUDIT REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2013

COUNTY OF FRANKLIN

FOR THE YEAR ENDED DECEMBER 31, 2013

Executives

County Manager	Thomas J. Leitz
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, 2014

Chairman	D. Billy Jones, District #2
Vice-Chairman	Gordon Crossman, District #3
Majority Leader	Guy Smith, District #1
Minority Leader	Paul A. Maroun, District #6
Legislators	Barbara Rice, District #7
	Carl Sherwin, District #4
	Donald Dabiew, District #5

COUNTY OF FRANKLIN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE OF CONTENTS

COUNTY OF FRANKLIN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
TABLE OF CONTENTS
CONTINUED

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Members
Of the Legislature
Malone, New York 12953

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin, as of and for the year ended December 31, 2013, 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 Nursing Home, the Franklin County Industrial Development Agency, Franklin County Civic Development Corporation, the County of Franklin 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 Franklin County Nursing Home and 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 Nursing Home, the Franklin County Industrial Development Agency, Franklin County Civic Development Corporation, the County of Franklin Solid 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 financial statement 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 out audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type 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, 2013, 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 budgetary comparison information on pages 9 through 18 and 78 through 80 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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 June 24, 2014, 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.

Orchard Park, New York
June 24, 2014

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, 2013. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position decreased by $1,301,480, from $51,592,976 to $50,291,496. Net position of the Franklin County Nursing Home decreased by $2,797,865 to a negative $831,946. As discussed in Note X, this decrease is primarily the result of the Nursing Home restating its 2012 financial statements to reflect the other post-employment benefits (OPEB) liability which is allocated to the Nursing Home since the County adopted GASB 45. There was an increase in net position of $1,496,385 to $51,123,442 in the County's governmental funds, which includes a reduction in net position of $2,011,530 for current post-employment benefit obligations (retiree health insurance).

- During the year, the County's governmental activities expenses were $84,824,464 compared to revenues of $82,857,303, of which $37,429,734, or 45.2 percent, was from property and non-property tax items (sales tax), compared to 42.8 percent in 2012.

- In the County's business-type activities, operating revenues were $8,293,816, while expenses were $7,628,257. An additional $122 of investment income, an interfund transfer in of $19,915, and the above mentioned restatement amount of a negative $3,483,461 gave the Franklin County Nursing Home a decrease in net position of $2,797,865.

- The County's component units had a combined increase in net position of $192,816. The Franklin County Solid Waste Management Authority had operating net income of $151,653 on revenues of $11,553,149 and expenses of $11,401,496. It also had investment earnings of $203,944 which resulted in a net asset increase of $355,597 for the Authority. The Franklin County Industrial Development Agency had a decrease in net position of $158,645, and the Rainbow Lake Water Protection District had a decrease in net position of $2,308. The Franklin County Civic Development Corporation had a decrease in net position of $1,828.

.OVERVIEW OF THE FINANCIAL STATEMENTS

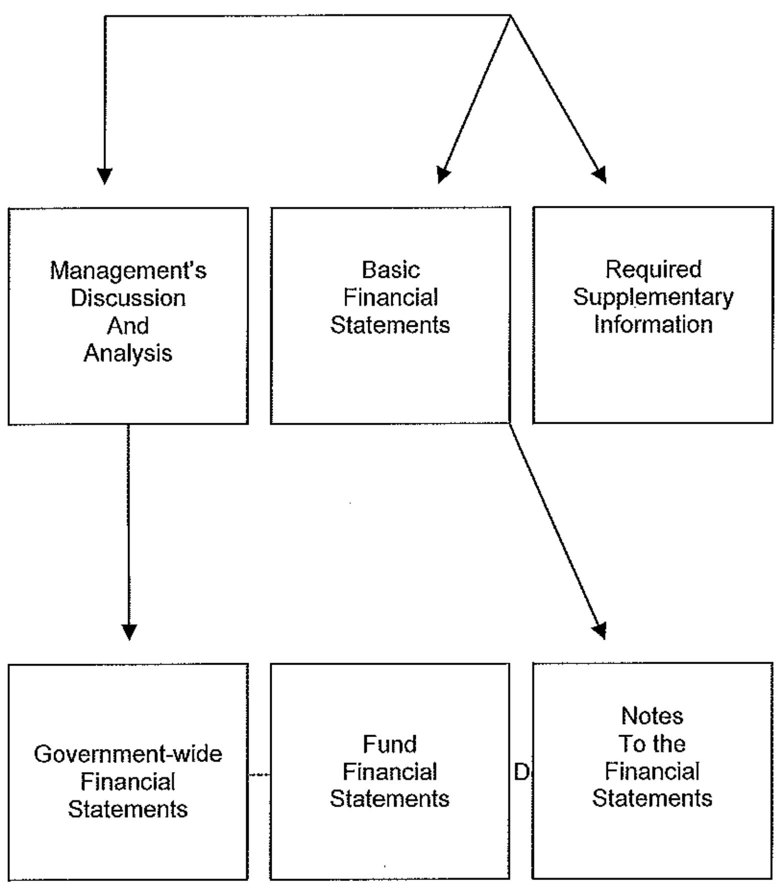
This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two 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.
  - 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	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.
- 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 $50,291,496, which is down from last years' net position by $1,301,480. The following is a summary of the county's net position:

Net position of the County's governmental activities increased $1,496,385 to $51,123,442. 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 $2,634,055 deficit at the end of this year. This means that the County does 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 $1,345,257 in unassigned fund balance compared to $422,416 in 2012.

Net position of our business-type activities decreased by $2,797,865 to a negative fund balance of $831,946.

Summary of Net Position
as of December 31, 2013 and 2012
(In Millions)

	Governmental Funds		Business-type Funds		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other asset	$ 43.44	42.56	3.06	1.96	46.50	44.52
Capital assets, net	51.27	48.83	0.52	0.44	51.79	49.27
Total Assets	94.71	91.39	3.58	2.40	98.29	93.79
Current liabilities	22.99	19.28	0.55	0.43	23.54	19.71
Non-current liabilities	19.82	22.48	3.86	-	23.68	22.48
Total Liabilities	42.81	41.76	4.41	0.43	47.22	42.19
Deferred Inflows of Resources	0.78	-	-	-	0.78	-
Net capital assets	47.66	44.72	0.52	0.44	48.18	45.16
Restricted	6.09	9.55	-	-	6.09	9.55
Unrestricted	(2.63)	(4.64)	(1.35)	1.53	(3.98)	(3.11)
Total Net Position	51.12	49.63	(0.83)	1.97	50.29	51.60

Changes in Position

Only 18 percent of the County's revenue comes from property taxes. Another 29 percent comes from fees charged for services, and 23 percent from nonproperty tax items (sales tax). The remaining 30 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 $740,131, or 0.9%. The largest portion of the County's expenses, or 45 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.

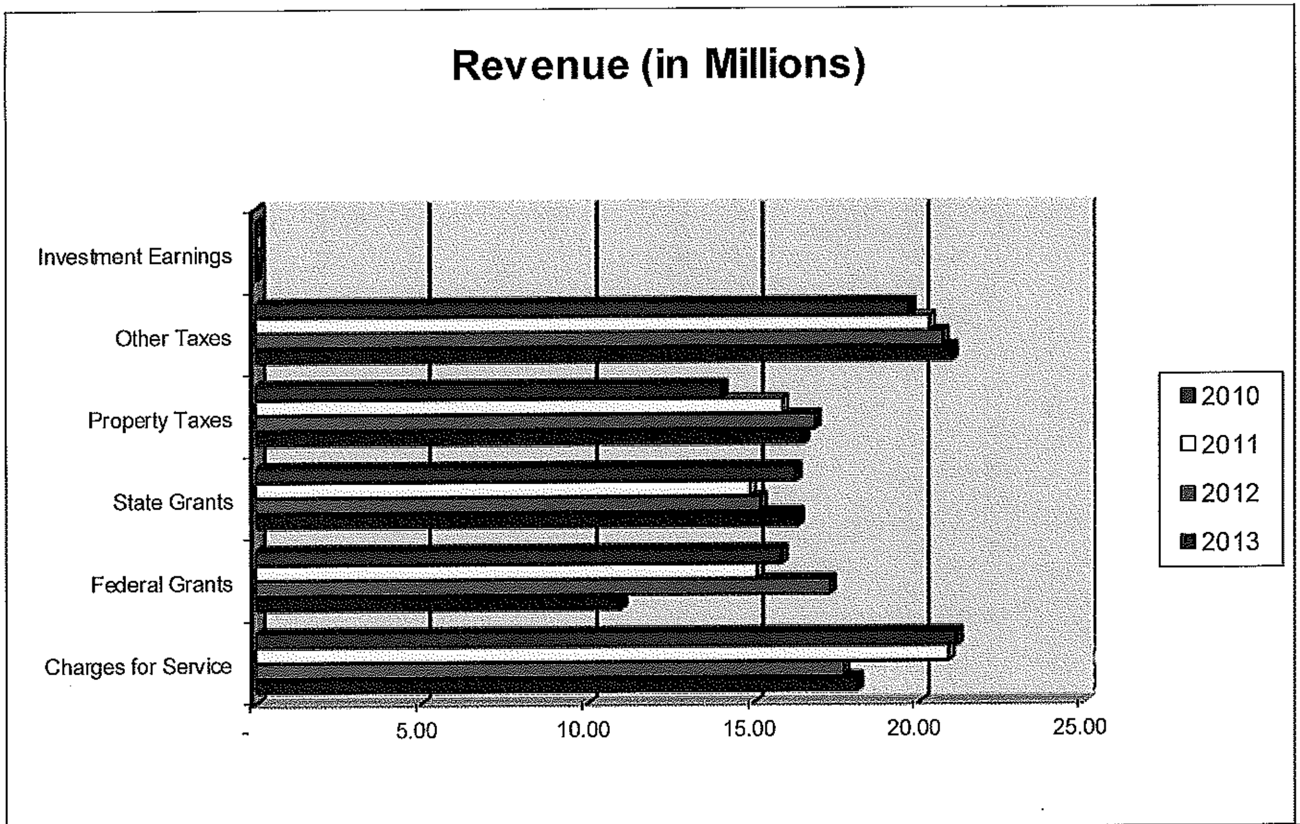
Governmental Activities

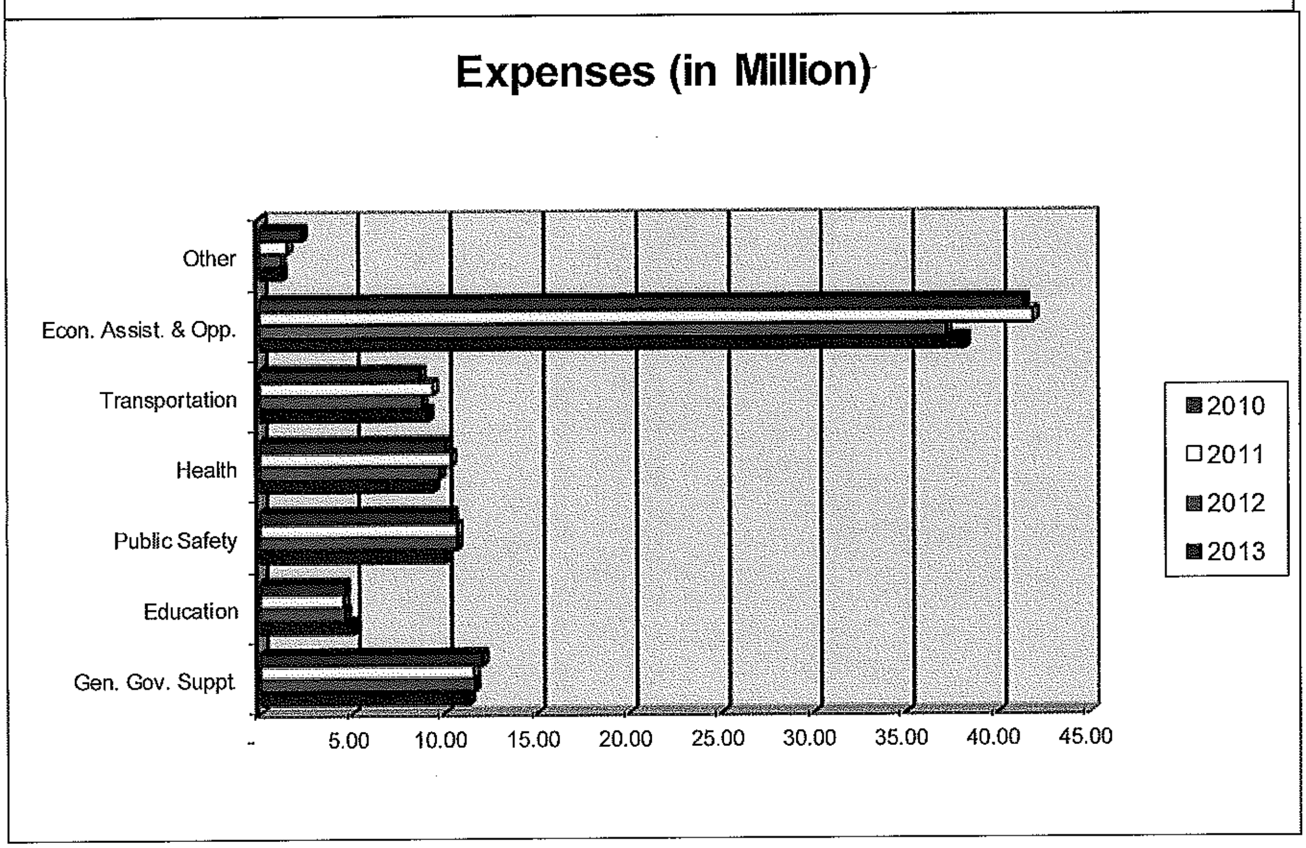
Revenues for the County's governmental activities decreased by approximately $4.8 million from the prior year. This is primarily due to a decrease in both operating grants and capital grants received during the year ended December 31, 2013.

Changes in Net Position
(In Millions)

	Governmental Funds		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues						
Charges for Service	$ 18.11	17.70	8.29	7.14	26.40	24.84
Federal Grants	11.00	17.26	-	-	11.00	17.26
State Grants	16.31	15.22	-	-	16.31	15.22
General Revenues					-	-
Property Taxes	16.47	16.83	-	-	16.47	16.83
Other Taxes	20.95	20.70	-	-	20.95	20.70
Investment Earnings	0.01	0.02	-	-	0.01	0.02
Total Revenues	82.85	87.73	8.29	7.14	91.14	94.87
EXPENSES						
General Government Support	11.38	11.63	-	-	11.38	11.63
Education	5.18	4.65	-	-	5.18	4.65
Public Safety	10.14	10.71	-	-	10.14	10.71
Health	9.47	9.82	-	-	9.47	9.82
Transportation	9.19	8.88	-	-	9.19	8.88
Economic Assistance and Opportunity	38.21	37.23	-	-	38.21	37.23
Culture and Recreation	0.16	0.23	-	-	0.16	0.23
Home and Community Services	0.92	0.69	-	-	0.92	0.69
Unallocated Depreciation	-	-	-	-	-	-
Loss on Disposal of Equipment	0.01	0.08	-	-	0.01	0.08
Debt Service	0.15	0.17	-	-	0.15	0.17
Nursing Home	-	-	7.62	7.60	7.62	7.60
Total expenses	84.81	84.09	7.62	7.60	92.43	91.69
Transfers	(0.02)	-	0.02	-	-	-
Prior Period Adjustments	3.48	-	(3.48)	-	-	-
Increase (Decrease) in Net Position	$ 1.50	3.64	(2.79)	(0.46)	(1.29)	3.18

Property tax revenues were unfavorable by $584,430 compared to the final budget estimates. The County's final budget estimated revenue exceeded the actual revenue sources by $1,609,110.


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
2010
2011
2012
2013


Expenses (in Million)
Other
Econ. Assist. & Opp.
Transportation
Health
Public Safety
Education
Gen. Gov. Suppt
-
5.00
10.00
15.00
20.00
25.00
30.00
35.00
40.00
45.00
2010
2011
2012
2013

Business-type Activities

Revenues for the Nursing Home were up $1,152,250, and expenses were up by $27,017 for 2013.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of $6,716,322, which is lower than last year.

- The County spent $5,550,285 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 increase from $2,846,179 in 2012 to $3,160,424 in 2013 for the primary government, we also noted increase for the component units.

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 $1,812,270 below final budget amounts. Resources available for appropriation were $1,609,110 below the final budgeted amount. As noted earlier:

  - Property tax collections were $584 thousand 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 $186,657 were under budget which is comprised of collected accrued sales tax.

The County's general fund balance of $4,647,811 differs from the general fund's budgetary fund balance of $4,444,651 reported in the budgetary comparison schedule principally because the overestimation of expenses was high enough to cover the underestimation of revenue.

Capital Assets

At the end of 2013, the County had invested $108,023,744 in a broad range of capital assets, including equipment, buildings, roads, and bridges. This amount represents a net increase (including additions and deductions) of $5,702,849 over last year.

	Governmental Activities	Business-type Activities	2013 Total	2012 Total
Land	$ 145,493	16,500	161,993	161,993
Buildings and Improvements	23,898,442	1,940,966	25,839,408	25,663,349
Equipment	12,178,363	3,005,968	15,184,331	15,181,115
Infrastructure	64,797,951	-	64,797,951	55,565,584
Construction-in-Progress	2,040,061	-	2,040,061	5,748,854
	$ 103,060,310	4,963,434	108,023,744	102,320,895

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 $4,559,315 in bonds, notes, retirement liabilities, and compensated absences outstanding - a decrease of $546,086 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 $40,967,813, the County recorded the amortized amount of $21,504,119 as a liability. Standard and Poor's has affirmed the "A" rating for the Franklin County, New York General Obligation, but changed the outlook to negative from stable.

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	Business-type Activities	2013 Total	2012 Total
Serial Bonds - 2009	$ 3,605,000	-	3,605,000	4,110,000
Compensated Absences	954,315	-	954,315	995,401
Post Employment Benefit Obligation	17,651,022	3,853,097	21,504,119	19,122,953
Total	22,210,337	3,853,097	26,063,434	24,228,354
Due within one year	2,390,533	-	2,390,533	1,747,744
Due in more than one year	$ 19,819,804	3,853,097	23,672,901	22,480,610

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Franklin County, with a population of 51,599 according to the 2010 Federal Census, 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 2013, the County's 9.0% unemployment rate exceeded the state's 7.7% average rate and the nation's 7.4% average rate. The nation's economy had shown signs of improvement as levels peaked at 8.5% early in the year and then settled at 6.5% at year end. The State unemployment rate ranged between 6.6% and 9.1% while the County's unemployment rate peaked at 11.6% in January but drifted to 7.8% in the third quarter, ending the year at 8.0%. Sales tax receipts improved slightly by $268 thousand (1.30%) over the previous year ($20.818 million in 2013 and $20.550 million in 2012).

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.

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FINANCIAL SECTION

EXHIBIT A

COUNTY OF FRANKLIN
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 7,547,131	47,040	7,594,171	853,471
Cash and Cash Equivalents, Restricted	1,644,337	16,269	1,660,606	6,034,569
Investments, Restricted	-	-	-	24,200
Taxes Receivable, Net	19,046,979	-	19,046,979	-
Other Receivables, Net	3,078,364	2,975,971	6,054,335	454,507
State and Federal Receivables	10,439,533	-	10,439,533	-
Prepaid Expenses	945,431	-	945,431	-
Due from Other Governments	405,691	-	405,691	-
Due from Other Funds	50,000	-	50,000	-
Inventory	280,958	-	280,958	-
Other Assets	-	14,225	14,225	55,447
Capital Assets:				
Land and Construction in Progress	2,185,554	16,500	2,202,054	2,219,773
Capital Assets, Net of Depreciation	49,086,104	505,564	49,591,668	5,037,485
Capitalized Preoperational and Financing Costs, Net	-	-	-	2,083,682
Total Assets	94,710,082	3,575,569	98,285,651	16,763,134
LIABILITIES				
Accounts Payable	2,049,202	238,053	2,287,255	1,016,378
Accrued Liabilities	1,209,762	122,143	1,331,905	34,231
Tax Anticipation Notes Payable	4,000,000		4,000,000	
Bond Anticipation Note Payable	2,300,000		2,300,000	
Other Liabilities	44,159	144,222	188,381	2,477,844
Unearned Revenues	325,727	-	325,727	-
Due to Other Funds	-	50,000	50,000	-
Due to Other Governments	10,670,002	-	10,670,002	-
Long-Term Liabilities				
Due and Payable Within One Year				
Compensated Absences	95,431	-	95,431	-
Post Employments Benefit Obligation	1,765,102	-	1,765,102	-
Installment Debt	-	-	-	191,784
Bonds Payable	530,000	-	530,000	2,830,000
Due and Payable After One Year				
Compensated Absences	858,884	-	858,884	-
Post Employments Benefit Obligation	15,885,920	3,853,097	19,739,017	-
Installment Debt/Notes Payable	-	-	-	703,597
Bonds Payable	3,075,000	-	3,075,000	7,447,283
Total Liabilities	42,809,189	4,407,515	47,216,704	14,701,117
DEFERRED INFLOW OF RESOURCES				
Unavailable Grants	637,554	-	637,554	-
Unavailable Revenue - Community Development Loans	139,897	-	139,897	-
Total Deferred Inflow of Resources	777,451	-	777,451	-
NET POSITION				
Invested in Capital Assets, Net of Related Debt	47,666,658	522,064	48,188,722	800,076
Restricted for:				
Other Restrictions	6,090,839	-	6,090,839	-
Unrestricted (Deficit)	(2,634,055)	(1,354,010)	(3,988,065)	1,261,941
Total Net Position	$ 51,123,442	(831,946)	50,291,496	2,062,017

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, 2013

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
General Government Support	$ 11,381,185	11,971,951	385,841	-	976,607		976,607	
Education	5,182,643	-	1,987,506	-	(3,195,137)		(3,195,137)	
Public Safety	10,141,413	187,597	2,042,803	-	(7,911,013)		(7,911,013)	
Health	9,471,885	3,659,168	4,150,228	-	(1,662,489)		(1,662,489)	
Transportation	9,190,630	476,136	-	3,365,144	(5,349,350)		(5,349,350)	
Economic Assistance and Opportunity	38,211,880	1,809,729	15,375,915	-	(21,026,236)		(21,026,236)	
Culture and Recreation	158,542	-	-	-	(158,542)		(158,542)	
Home and Community Services	923,724	-	-	-	(923,724)		(923,724)	
Loss on Disposal of Equipment	16,295	-	-	-	(16,295)		(16,295)	
Debt Service Interest	146,266	-	-	-	(146,266)		(146,266)	
Total Governmental Activities	84,824,464	18,104,581	23,942,293	3,365,144	(39,412,446)		(39,412,446)	
Business-Type Activities:								
Nursing Home	7,628,257	8,293,816	-	-	-	665,559	665,559	
Total Primary Government	92,452,721	26,398,397	23,942,293	3,365,144	(39,412,446)	665,559	(38,746,887)	
Component Units:								
IDA (FYE 12/31/13)	374,706	11,679	18,778	-				(344,249)
CDC (FYE 12/31/2013)	270,473	268,625	-	-				(1,848)
Landfill Operations (FYE 6/30/13)	11,401,496	11,553,149	-	-				151,653
Water District Operations (FYE 12/31/13)	5,308	-	-	-				(5,308)
Total Component Units	$ 12,051,983	11,833,453	18,778	-				(199,752)
General Revenues (Expenses):								
Taxes:								
Property Taxes, Levied for General Purposes					16,473,391	-	16,473,391	-
Nonproperty Tax Items, for General Purposes					20,956,343	-	20,956,343	-
Water District Tax Revenues					-	-	-	3,000
Restricted Investment Earnings					15,551	122	15,673	204,031
CDC Grant					-	-	-	268,125
Transfer					(19,915)	19,915	-	-
Total General Revenues					37,425,370	20,037	37,445,407	475,156
Change in Net Position					(1,987,076)	685,596	(1,301,480)	275,404
Equity Transfer					-	-	-	(82,588)
Net Position-Beginning of the Year					49,627,057	1,965,919	51,592,976	1,869,201
Prior Period Adjustment					3,483,461	(3,483,461)	-	-
Net Position-End of the Year					$ 51,123,442	(831,946)	50,291,496	2,062,017

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

EXHIBIT C

COUNTY OF FRANKLIN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 2,981,416	3,345,832	6,327,248
Cash and Cash Equivalents- Restricted	1,644,337	-	1,644,337
Taxes Receivable, Net	19,046,979	-	19,046,979
Other Receivables, Net	2,991,152	75,438	3,066,590
State and Federal Receivables	9,566,336	873,197	10,439,533
Prepaid Expenses	939,308	6,123	945,431
Due from Other Governments	405,691	-	405,691
Due from Other Funds	58,401	143,223	201,624
Inventory	9,336	271,622	280,958
Total Assets	37,642,956	4,715,435	42,358,391
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	1,986,485	62,717	2,049,202
Accrued Liabilities	1,139,084	30,678	1,169,762
Tax Anticipation Notes Payable	4,000,000	-	4,000,000
Bond Anticipation Note Payable	-	2,300,000	2,300,000
Other Liabilities	41,805	1,000	42,805
Unearned Revenues	14,481,223	-	14,481,223
Due to Other Funds	45,750	105,874	151,624
Due to Other Governments	10,663,244	6,758	10,670,002
Total Liabilities	32,357,591	2,507,027	34,864,618
DEFERRED INFLOW OF RESOURCES			
Unavailable Grants	637,554	-	637,554
Unavailable Revenue - Community Development Loans	-	139,897	139,897
Total Deferred Inflow of Resources	637,554	139,897	777,451
Fund Balances			
Nonspendable			
Inventory	9,336	271,622	280,958
Prepaids	939,308	-	939,308
Restricted For:			
Retirement	728,198	-	728,198
Health Insurance	49,312	-	49,312
Unemployment Insurance	411,224	-	411,224
Tax Stabilization	55,763	-	55,763
Capital Reserve (Mortgage Tax)	833,054	-	833,054
Other	-	73,673	73,673
Committed to:			
Committed for Future Purchases	-	-	-
Assigned To:			
Assigned Appropriated	40,400	510,000	550,400
Assigned Unappropriated	235,959	2,472,298	2,708,257
Unassigned	1,345,257	(1,259,082)	86,175
Total Fund Balances	4,647,811	2,068,511	6,716,322
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	$ 37,642,956	4,715,435	

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.	51,271,658
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	1,230,303
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	14,155,496
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.	(40,000)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(22,210,337)
Net Position of Governmental Activities	$ 51,123,442

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, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Real Property Taxes	$ 14,404,751	-	14,404,751
Real Property Tax Items	1,910,367	-	1,910,367
Non-Property Tax Items	20,956,343	-	20,956,343
Departmental Income	12,109,711	54,147	12,163,858
Intergovernmental Charges	6,620,387	-	6,620,387
Use of Money and Property	686,516	1,727	688,243
Fines and Forfeitures	242,200	-	242,200
Sale of Property and Compensation for Loss	749,737	32,765	782,502
Miscellaneous Local Sources	2,422,474	164,527	2,587,001
Interfund Revenues	1,122,333	70,000	1,192,333
State Aid	14,023,369	2,289,253	16,312,622
Federal Aid	9,748,350	1,246,465	10,994,815
Total Revenues	84,996,538	3,858,884	88,855,422
EXPENDITURES			
General Government Support	8,524,359	-	8,524,359
Education	4,719,929	-	4,719,929
Public Safety	9,328,500	114,867	9,443,367
Health	8,602,811	-	8,602,811
Transportation	1,457,801	9,542,216	11,000,017
Economic Assistance and Opportunity	34,572,710	248,886	34,821,596
Culture and Recreation	144,205	-	144,205
Home and Community Services	6,629,095	-	6,629,095
Employee Benefits	7,205,581	-	7,205,581
Debt Service (Principal and Interest)	-	632,519	632,519
Total Expenditures	81,184,991	10,538,488	91,723,479
Excess of Revenues Over (Under) Expenditures	3,811,547	(6,679,604)	(2,868,057)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	5,049,063	5,049,063
Transfers to Other Funds	(4,874,292)	(194,686)	(5,068,978)
Net Other Financing Sources (Uses)	(4,874,292)	4,854,377	(19,915)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,062,745)	(1,825,227)	(2,887,972)
Fund Balances, Beginning of the Year	5,710,556	3,893,738	9,604,294
Fund Balances, End of the Year	$ 4,647,811	2,068,511	6,716,322

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, 2013

Total Net Change in Fund Balances-Governmental Funds	$ (2,887,972)
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 $6,775,597 exceed depreciation expense of $4,312,881 in the current year. Also includes loss on sale of equipment of $16,295.	2,446,421
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	505,000
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.	158,273
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, 2013, payments made to the New York State Employees' Retirement System for early retirement incentive payment exceeded amounts earned. The estimated liability for compensated absences exceeded payments by $41,086.	41,086
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.	(18,747)
Estimated Net Other Post Employment Benefit Obligation for 2013.	(2,011,530)
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.	(219,607)
Change in Net Position of Governmental Activities	$ (1,987,076)

EXHIBIT E

COUNTY OF FRANKLIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2013

	Enterprise Fund Nursing Home	Internal Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 47,040	1,219,883
Cash - Resident Trust Funds	16,269	-
Other Receivables, Net	2,975,971	11,774
Other Current Assets	14,225	-
Total Current Assets	3,053,505	1,231,657
Capital Assets		
Land	16,500	-
Equipment	860,838	-
Buildings and Improvements	4,086,096	-
Accumulated Depreciation	(4,441,370)	-
Net Capital Assets	522,064	-
Total Assets	3,575,569	1,231,657
LIABILITIES		
Current Liabilities		
Accounts Payable	238,053	-
Accrued Liabilities	122,143	-
Other Current Liabilities	144,222	1,354
Due to Other Funds	50,000	-
Total Current Liabilities	554,418	1,354
Long-Term Liabilities		
Other Post-Employment Benefits Liability	3,853,097	-
Total Liabilities	4,407,515	1,354
NET POSITION		
Invested in Capital Assets, Net of Related Debt	522,064	-
Restricted for Workers' Compensation	-	400,000
Assigned Fund Balance	-	830,303
Unrestricted (Deficit)	(1,354,010)	-
Total Net Position	$ (831,946)	1,230,303

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, 2013

		Enterprise Fund	
		Nursing Home	Internal Service Fund
OPERATING REVENUES			
Net Patient Service Income	$	5,790,702	-
Miscellaneous Income		2,348,950	83,761
Intergovernmental Charges		-	980,761
Total Operating Revenues		8,139,652	1,064,522
OPERATING EXPENSES			
Salaries and Wages		3,286,527	-
Employee Benefits / Other Post-Employment Benefits		2,241,329	-
Supplies		561,680	-
Professional and Contractual Services		535,670	-
Other Direct Expenses		555,140	-
Bad Debt Expense		74,228	-
General Governmental Support		-	1,258,472
Employee Benefits		-	28,358
Depreciation		127,322	-
Other- New York State Assessment		266,276	-
Total Operating Expenses		7,648,172	1,286,830
Income (Loss) from Operations		491,480	(222,308)
NONOPERATING REVENUES (EXPENSES)			
Contributions from Other Funds		-	-
Contributed Services		174,079	-
Interfund Transfers		19,915	-
Income on Investment		122	2,701
Net Nonoperating Revenues (Expenses)		194,116	2,701
Change in Net Position		685,596	(219,607)
Total Net Position-Beginning of the Year		1,965,919	1,449,910
Prior Period Adjustment		(3,483,461)	-
Total Net Position-End of the Year	$	(831,946)	1,230,303

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, 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Enterprise Fund Nursing Home	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received From Patient Services	$ 7,017,889	-
Received From Assessments Made to Other Funds	-	1,053,620
Payments to Employees	(5,519,784)	(75,010)
Payments for Workers' Compensation Claims	-	(1,211,566)
Payments to Suppliers for Goods and Services	(1,440,586)	-
Net Cash Provided By (Used In) Operating Activities	57,519	(232,956)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Payment From Franklin County	-	-
Contributed Services	174,079	-
Net Cash Provided By (Used In) Noncapital Financing Activities	174,079	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest Paid	19,915	-
Net Cash Used In Capital and Related Financing Activities	19,915	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant, and Equipment	(208,549)	-
Interest Received	122	2,701
Net Cash Provided By (Used In) Investing Activities	(208,427)	2,701
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,086	(230,255)
Cash and Cash Equivalents-Beginning of the Year	3,954	1,450,138
Cash and Cash Equivalents-End of the Year	$ 47,040	1,219,883
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss) From Operations	$ 491,480	(222,308)
Adjustments to Reconcile Net Income (Loss) from Operations to Net Cash Provided By (Used In) Operating Activities:		
Depreciation and Amortization	127,322	-
Allowance for Bad Debt	33,000	-
(Increase) Decrease in Accounts Receivable	(1,154,763)	(10,902)
Decrease in Inventory	72,569	-
(Increase) Decrease in Prepaids	14	-
Increase in Accounts Payable	61,645	-
Increase in Accrued Payroll and Payroll Taxes	8,072	254
Increase (Decrease) in Due To/From Third Party Payors	48,544	-
Increase (Decrease) in Other Post-Employment Beneftis Liability	369,636	-
Net Cash Provided by (Used In) Operating Activities	$ 57,519	(232,956)

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, 2013

	Private-Purpose Trusts	Agency
ASSETS		
Cash and Cash Equivalents	$ 4,469	2,533,808
Total Assets	4,469	2,533,808
LIABILITIES		
Other Liabilities	-	2,533,808
Total Liabilities	-	2,533,808
NET POSITION		
Held In Trust For Other Purposes	$ 4,469	-

COUNTY OF FRANKLIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Private-Purpose Trusts
ADDITIONS	
Miscellaneous Local Sources	$ 33,960
DEDUCTIONS	
Home and Community Services	31,878
Change in Net Position	2,082
Net Position-Beginning of the Year	2,387
Net Position-End of the Year	$ 4,469

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, 2013 AND JUNE 30, 2013

	IDA December 31, 2013	CDC December 31, 2013	SWMA June 30, 2013	RLWPD December 31, 2013	Total
ASSETS					
Cash and Cash Equivalents	$ 704,470	12,525	132,558	3,918	853,471
Restricted Cash and Cash Equivalents	-	-	6,034,569	-	6,034,569
Restricted Investments	-	-	24,200	-	24,200
Other Receivables, Net	5,168	-	449,339	-	454,507
Other Assets	-	-	55,447	-	55,447
Land	154,794	-	2,064,979	-	2,219,773
Fixed Assets, Net of Depreciation	1,294,154	-	3,734,921	8,410	5,037,485
Capitalized Preoperational and Financing Costs, Net	-	-	2,083,682	-	2,083,682
Total Assets	2,158,586	12,525	14,579,695	12,328	16,763,134
LIABILITIES					
Accounts Payable	1,574	-	1,014,804	-	1,016,378
Accrued Liabilities	-	-	34,231	-	34,231
Other Liabilities	-	-	2,477,844	-	2,477,844
Long-Term Liabilities					
Due and Payable Within One Year	-	-	3,021,784	-	3,021,784
Due and Payable After One Year	657,283	-	7,493,597	-	8,150,880
Total Liabilities	658,857	-	14,042,260	-	14,701,117
NET POSITION					
Invested in Capital Assets, Net of Related Debt	791,666	-	-	8,410	800,076
Restricted Net Position	-	-	-	-	-
Unrestricted Net Position (Deficit)	708,063	12,525	537,435	3,918	1,261,941
Total Net Position	$ 1,499,729	12,525	537,435	12,328	2,062,017

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, 2013 AND JUNE 30, 2013

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 12/31/13)									
Administration	$ 374,706	11,679	18,778	-	(344,249)				(344,249)
CDC (FYE 12/31/13)									
Administration	$ 270,473	268,625	-	-		(1,848)			(1,848)
SWMA (FYE 6/30/13)									
Landfill Operations	11,401,496	11,553,149	-	-			151,653		151,653
RLWPD (FYE 12/31/13)									
Water District Operations	5,308	-	-	-				(5,308)	(5,308)
Total Component Units	$ 12,051,983	11,833,453	18,778	-					(199,752)
General Revenues (Expenses):									
Payments from Franklin County					-	-	-	-	-
Water District Tax Revenues					-	-	-	3,000	3,000
CDC Grant					268,125	-	-	-	268,125
Restricted Investment Earnings					67	20	203,944	-	204,031
Total General Revenues					268,192	20	203,944	3,000	475,156
Change in Net Position					(76,057)	(1,828)	355,597	(2,308)	275,404
Equity Transfer					(82,588)	-	-	-	(82,588)
Net Position-Beginning of the Year (Adjusted)					1,658,374	14,353	181,838	14,636	1,869,201
Net Position-End of the Year					$ 1,499,729	12,525	537,435	12,328	2,062,017

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

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. <u>Soil and Water Conservation District</u>

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 Nursing Home

The Franklin County Nursing Home is an operating unit of the County of Franklin. The Nursing Home is a discretely blended component unit. It is part of the primary government and reported as a proprietary fund type.

c. 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, encouraging economic growth and the state legislation to promote the economic welfare, recreation opportunities, and prosperity of the County's inhabitants. 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 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.

d. Franklin County Civic Development Corporation

The Corporation was created on June 23, 2010 by the Franklin County Board of Legislators under the provisions of Chapter 18A 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.

e. 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.

f. 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 the Commissioners are residents of the District. Of the remaining two commissioners, one is a County employee and the other is an employee of the Department of Environmental Conservation. There is no salary or compensation related to serving as a commissioner. Each commissioner is appointed to a four year term. 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. Special Grant Fund - is used to account for funds received under the Workforce Investment Act. The program includes revenues for and expenditures to subrecipients.

iv. 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. County Home and Infirmary - The Franklin County Nursing Home follows the accounting and reporting requirements contained in the *New York State Residential Health Care Facility Accounting and Reporting Manual* issued by the New York State Department of Health. The accounting principles and concepts described in the *Hospital Audit Guide* of the American Institute of Certified Public Accountants serve as the foundation for this manual.

ii. Internal Service Fund - is used to account for the workers' compensation benefits program. This is a proprietary fund reported with governmental activities in the governmentwide 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**

<u>Franklin County Industrial Development Agency</u>

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.

<u>Franklin County Civic Development Corporation</u>

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.

<u>County of Franklin Solid Waste Management Authority</u>

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, 2013, are presented in a separate column in the combined financial statements and accounted for as a proprietary fund type.

<u>Rainbow Lake Water Protection District</u>

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 <u>when</u> 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 <u>what</u> 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. Nonexchange 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
Building	$ 2,366
Data Processing	21,897
Emergency Services	4,649
Jail	10,063
DSS	1,425
	$ 40,400

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 restricted investments consist of marketable equity securities held by the bond trustee. The authority has entered into a repurchase agreement with regard to the 1995, 2000, and 2003 Debt Service Revenue Funds.

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 and the Franklin County Nursing Home consider accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If, in the future, management determines that amounts may be uncollectible, an allowance will be established and operations will be charged when that determination is made.

Bad debts are recognized by the Franklin County Industrial Development Agency in the year in which they are determined uncollectible. The Agency did not experience any loan charge-offs during the year ended December 31, 2013. No provision has been made for uncollectible accounts as required by generally accepted accounting principles.

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

Capital assets are stated at cost for the Franklin County Nursing Home, 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/Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net position that applies to future periods, and as such, will not be recognized as an outflow of resources (expense/expenditures) until that time. A deferred inflow of resources is an acquisition of new assets that applies to future periods, and as such, will not be recognized as an inflow of resources (revenue) until that time.

8. Patient Trust Fund

The Enterprise Fund (Nursing Home), as trustee, holds patient funds in an escrow account. This account is maintained by Franklin County. These funds are expended at the direction of the patients for personal items.

9. 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.

Loan repayments of Department of Housing and Urban Development funds are recorded as miscellaneous revenue when received by the Franklin County Industrial Development Agency.

10. 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 $1,852,407 at June 30, 2013. 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.

11. Fair Value of Financial Instruments

For the Franklin County Solid Waste Management Authority, 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.

12. 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.

13. 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 us 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.

14. Net Position

The governmental and business-type activities utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in Capital Assets, Net of Related Debt - 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. Patient Service Income

The Franklin County Nursing Home reports patient service income at the estimated net realizable amounts from residents, third-party payors, and others for services rendered.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in operations in the year of settlement. Approximately 90 percent of the patient service income is derived from the Medicare and Medicaid programs.

Approximately 83% of the patient service income is derived from the Medicare and Medicaid programs.

3. Interfund Transactions

The Franklin County Nursing Home participates in a Countywide plan for general and workers' compensation insurance coverage. The nursing home also participates in a countywide plan that allocates overhead costs for central, personnel, and data processing services.

4. Revolving Funds: Industrial Development Agency

The Franklin County Industrial Development Agency has 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. Revenue recognition on these loans is limited to the receipt of interest.

5. 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.

6. 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.

7. 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 governmentwide 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).

8. 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 2013 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 83 retirees participating in the County Plan and 149 in the supplemental plan as of December 31, 2013. 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 employees. 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.

9. 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, 2013, costs have been reimbursed by New York State in the amount of $253,808.

H. New Accounting Standards

- GASB Statement No. 62 -"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement incorporates into the GASB's authoritative literature the applicable guidance issued before November 30, 1989 from FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure.

- GASB Statement No. 63 -"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and inflows are the consumption and acquisition of net position by a governmental entity that is applicable to a future reporting period. This statement amends the net asset reporting requirements in Statement No. 34 -"Basic

Financial Statements -and Management's Discussion and Analysis -for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position.

- GASB Statement No. 65 -"Items Previously Reported as Assets and Liabilities" establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations.

- GASB Statement No. 66 -"Technical Corrections -2012 -an Amendment of GASB Statements No. 10 and No. 62" improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. Statements No. 54 -"Fund Balance Reporting and Governmental Fund Type Definitions" and No. 62 -"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement amends Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

I. Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 67 -"Financial Reporting for Pension Plans -an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The statement specifies the required approach for measuring the pension liability of all employers and nonemployer contributing entities participating in a pension plan and details required note disclosures for financial reporting. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning January 1, 2014 for the County. This statement is not expected to have a material effect on the financial statements of the County.

- GASB Statement No. 68 -"Accounting and Financial Reporting for Pensions -an Amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. The requirements of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning January 1, 2015 for the County. This statement is not expected to have a material effect on the financial statements of the County.

- GASB Statement No. 69 -"Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This statement is not expected to have a material effect on the financial statements of the County.

- GASB Statement No. 70 – "Accounting and Financial Reporting for Non-exchange Financial Guarantees" requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. This statement is not expected to have a material effect on the financial statements of the County.

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	$ 103,060,310
Accumulated Depreciation	(51,788,652)
	$ 51,271,658

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	$ 14,155,496

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	$ 530,000	3,075,000	3,605,000
Compensated Absences	95,431	858,884	954,315
Post Employment Benefit Obligations	1,765,102	15,885,920	17,651,022
	$ 2,390,533	19,819,804	22,210,337

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	8,401	45,750
Special Revenue Fund	97,161	8,713
Capital Project Fund	46,062	97,161
	$ 151,624	151,624

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, 2013 is as follows:

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		$ 88,855,422
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.		158,273
Net revenues of certain internal service funds are reported with governmental activities on the Statement of Activities, net of intercompany charges.		86,462
Elimination of interfund revenue from governmental funds:		
Intergovernmental Charges - SWMA		(6,242,854)
Interdepartmental Revenue		-
Interfund transfers In	(5,049,063)	
Interfund transfers Out	5,049,063	-
Total revenues and other funding sources of governmental activities in the Statement of Activities		$ 82,857,303

Total Expenditures Reported in Governmental Funds

Total expenditures reported in governmental funds	$ 91,723,479
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 $41,087.	(41,087)
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 $4,312,881 and loss on disposal of equipment of $16,295 did not exceed capital expenditures of $6,775,597 in the current year.	(2,446,421)
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 Assets, and do not affect the Statement of Activities	(505,000)
Net operating expenses of certain internal service funds are reported with governmental activities on the Statement of Net Assets, less corresponding intercompany charges.	306,069
Home and Community Services -SWMA advances which are offset by intergovernmental charges	(6,242,854)
Interdepartmental Expenses	-
Estimated net Other Post Employment Benefits Obligation for 2013	2,011,531
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.	18,747
Total expenses of governmental activities	$ 84,824,464

NOTE III - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

DEFICIT FUND BALANCE AND RETAINED EARNINGS

Component Unit: Solid Waste Management Authority

Deficit retained earnings is due to prior-year net losses, which include noncash expenses for depreciation of fixed assets and amortization of capitalized pre-operational and financing costs.

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, 2013. 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.

Type of Deposit	Total Bank Balance	Custody Credit Risk Category 1	2	3	Total Carrying Value
Demand Deposits	$ 7,538,191	1,042,324	5,633,601	862,266	6,280,842
Time Deposits	4,814,795	855,196	3,959,599	-	4,831,709
Cash on Hand	-	-	-	-	680,503
Total Deposits	$ 12,352,986	1,897,520	9,593,200	862,266	11,793,054

Reconciliation to the Statement of Net Assets and Fiduciary Fund:	
Unrestricted Cash, including Time Deposits - Governmental Activity	$ 7,547,131
Unrestricted Cash, including Time Deposits - Business-Type Activity	47,040
Restricted Cash, including Time Deposits	1,660,606
Fiduciary Fund Cash, including Time Deposits	2,538,277
	$ 11,793,054

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, 2013:

Cash and Cash Equivalents	$ 6,034,569
Investments, Restricted	24,200
Accrued Interest on Restricted Bonds	160
	$ 6,058,929

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.

The Franklin County Solid Waste Management Authority has entered into a repurchase agreement. The agreement requires collateralization of cash at 100 percent and securities at 103 percent. Approximately $2,000,000 relating to the 1995, 2000 and 2003 Debt Service Reserve funds were subject to the agreement. The funds can be repurchased on demand to provide for shortfall in regularly scheduled payments of principal and interest on the bonds. The funds cannot be repurchased for reinvestment. The final repurchase date is April 1, 2015.

The Authority is required by local law to collateralize any of its cash deposits that are in excess of the Federal Deposit Insurance Corporation limit. There were deposits that exceed the FDIC insurance at June 30, 2013 of $1,535,622 that were not collateralized.

All of the 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.

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

	Face Value	Unamortized Premium (Discount)	Total	Fair Market Value
US Treasury Bill	$ 24,200	-	24,200	24,200
	$ 24,200	$ -	$ 24,200	$ 24,200

2. Taxes Receivable

At December 31, 2013, real property tax assets of $19,215,900 are reported net of the allowance for uncollectible taxes in the amount of $168,921. Current-year returned village and school taxes of approximately $4,735,263 are offset by liabilities to the villages and school districts, which will be paid no later than April 1, 2014. The remaining portion of tax assets, $14,480,637, is offset by deferred tax revenue of $14,099,764, 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, 2013, 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	$ 610,990
Other Department Receivables	2,880,162
Allowance for Uncollectible	(500,000)
Special Revenue Funds	
CDBG Note Receivable	60,775
Road Machinery	9,006
Soil and Water	900
County Road	4,757
Internal Service Fund	
Premiums	11,496
Assessments	278
Total Governmental Activities	3,078,364
Enterprise Fund	
Patients	2,975,971
Total Business Activities	2,975,971
IDA (Component Unit)	
Miscellaneous Receivables	5,168
SWMA (Component Unit)	
Accounts Receivable, Net	449,179
Accrued Interest	160
Total Component Units	454,507

4. Changes in Capital Assets

a. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable				
Land	$ 145,493	-	-	145,493
Construction in Progress	5,748,854	1,387,549	(5,096,342)	2,040,061
Depreciable				
Buildings	23,898,442	-	-	23,898,442
Equipment	12,207,638	1,252,023	(1,281,298)	12,178,363
Roads	26,263,287	7,194,125	-	33,457,412
Bridges	29,302,297	2,038,242	-	31,340,539
Subtotal	97,566,011	11,871,939	(6,377,640)	103,060,310
Accumulated Depreciation	(48,740,774)	(4,312,881)	1,265,003	(51,788,652)
Total	$ 48,825,237	7,559,058	(5,112,637)	51,271,658

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 $4,312,881 was charged to the following functions on the Statement of Activities:

General Support	$ 1,049,393
Public Safety	260,387
Health	59,862
Transportation	2,791,614
Economic Assistance and Opportunity	28,845
Culture and Recreation	200
Home and Community Service	122,580
Unallocated	-
Total	$ 4,312,881

b. Franklin County Nursing Home

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable				
Land	$ 16,500	-	-	16,500
Depreciable				
Land Improvements	37,100	-	-	37,100
Buildings	1,727,808	176,058	-	1,903,866
Fixed Equipment	2,142,981	2,149	-	2,145,130
Movable Equipment and Vehicles	830,496	31,636	(1,294)	860,838
Subtotal	4,754,885	209,843	(1,294)	4,963,434
Accumulated Depreciation	(4,314,049)	(128,615)	1,294	(4,441,370)
Total	$ 440,836	81,228	-	522,064

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 charged to operations for the year ended December 31, 2013 was $127,322.

c. Franklin County Industrial Development Agency

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable				
Land	$ 154,794	-	-	154,794
Depreciable				
Buildings	1,767,443	-	-	1,767,443
Office Equipment	81,002	2,070	(26,207)	56,865
Subtotal	2,003,239	2,070	(26,207)	1,979,102
Accumulated Depreciation	(508,754)	(46,292)	24,892	(530,154)
Total	$ 1,494,485	(44,222)	(1,315)	1,448,948

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, 2013 was 46,292.

d. Solid Waste Management Authority

	June 30, 2012	Additions/ Deletions	June 30, 2013
Nondepreciable			
Land	$ 433,809	1,631,170	2,064,979
Depreciable			
Land Improvements	2,040,041	-	2,040,041
Landfill Cell	13,441,201	(43)	13,441,158
Buildings	3,000,658	-	3,000,658
Waste Disposal Equipment, Machinery and Vehicles	2,918,931	902,544	3,821,475
Subtotal	21,400,831	902,501	22,303,332
Less: Accumulated Depreciation	(17,161,079)	(1,407,332)	(18,568,411)
Total Property, Plant and Equipment	$ 4,673,561	1,126,339	5,799,900

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, 2013, totaled $1,456,198.

e. 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 the term of the repayment of the obligation to the Rainbow Lake Association, Inc.
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, 2013, is as follows:

Dam	$ 5,000
Dam Improvements	12,190
Less Accumulated Depreciation	(8,780)
Dam, Net	$ 8,410

Depreciation expense was $610 for the year ended December 31, 2013.

5. Capitalized Engineering and Financing Costs

Solid Waste Management Authority

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

A summary of capitalized engineering and financing costs at June 30, 2013, is as follows:

Construction and engineering costs	$ 3,130,013
Discount on bonds payable	200,623
Bond, Issuance costs, including Underwriters' discount	746,066
Deferred amount on defeased 1993 bond	1,572,481
Expansion/Ton increase costs	1,699,344
Subtotal	7,348,527
Amortization	(5,264,845)
Capitalized engineering and Financing Costs, Net	$ 2,083,682

Authority establishment costs are amortized over 20 years on a straight-line basis, beginning June 6, 1994, the date operations began. Financing costs and the deferred amount on the defeased 1993 bond are being amortized over the life of the bond using the straight-line method. The expansion/ton increase costs are being amortized over 6 years on a straight-line basis. Amortization expense related to the establishment and expansion costs and bond issue costs totaled $275,583 for the year ended June 30, 2013. Amortization associated with bond defeasance and discounts, recorded as interest expense, was $75,406 for the year ended June 30, 2013.

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
Less: Accumulated Amortization	(29,221)
Total Other Assets (Net)	$ -

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

Plan Description

The County of Franklin, the Franklin County Nursing Home, and the Solid Waste Management Authority participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan. These are cost-sharing multiple-employer retirement systems. The plans provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. As set forth in the New York State Retirement and Social Security Law, the Comptroller of the State of New York serves as sole trustee and administrative head of the plans. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the plans and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at http://www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement Systems, Gov. 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, on or after January 1, 2010 who generally contribute 3% of their salary for the entire length of service, and on or after April 1, 2012 who generally contribute between 3% and 6% (based on annual wage) for the entire length of service.

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

		County of Franklin	NCCC	Franklin County Nursing Home	Solid Waste Management Authority
2013	$	3,160,424	379,839	600,957	173,237
2012	$	2,846,179	328,773	525,906	142,216
2011	$	2,609,187	278,674	489,240	106,333

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 Solid Waste Management Authority contributions made to the System were equal to 100% of the contributions required each year, except for 2013 when the SWMA elected to amortize payments with the Contribution Stabilization Program. For the year ended June 30, 2013, the SWMA elected maximum amortization of $56,767 and made a contribution of $116,470. The Comptroller of New York annually determines the interest rate for the program. For the 2013 ERS payment, a rate of 3.0% was set for the first ten year period.

A summary of the SWMA's future annual minimum maturities of the amortization at June 30, 2013, is as follows:

	Principal	Interest	Total
For the year ended June 30			
2014	$ 5,201	1,435	6,636
2015	5,067	1,569	6,636
2016	5,222	1,414	6,636
2017	5,380	1,256	6,636
2018	5,544	1,092	6,636
2019-2023	30,353	2,825	33,178
	$ 56,767	9,591	66,358

2. Unearned Revenue

The following are unearned revenues included in the general fund:

Deferred Taxes	$ 14,155,496
Social Services Advances and Other	269,995
Total	$ 14,425,491

3. Long-Term Debt

The changes in the County of Franklin's long-term indebtedness during the year ended December 31, 2013 are summarized as follows:

	Balance 1/01/13	Additions	Reductions	Balance 12/31/13	Due Within One Year
Governmental Activities:					
Courthouse Serial Bonds 2009	$ 4,110,000	-	505,000	3,605,000	530,000
Compensated Absences	995,401	-	41,086	954,315	95,431
Post Employment Benefit	19,122,953	3,470,272	1,089,106	21,504,119	1,765,102
Total Long-Term Debt	24,228,354	3,470,272	1,635,192	26,063,434	2,390,533

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, 2013, amounts to $954,315 and is recorded in the governmental funds.

ii. Business-Type Activities
The costs, attributable to the various compensated absences, are recognized in the period incurred. Any liability was deemed immaterial to the financial statements of the reporting entity.

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 following schedule is in millions:

Actuarial Valuation Date 1/1/2012	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
General	-	$ 17.6	17.6	0%	17.6	1.0
Nursing Home	-	3.9	3.9	0%	3.3	1.2
IDA	-	-	-	0%	0.1	-

The County has elected to amortize these costs over 30 years as allowed in GASB 43/45. The following are the Annual required contributions for 2013. The County recorded a liability for $21,504,119 for 2013 and $19,122,953 for 2012. This is the annual required contribution for the County of $3,470,272 less the benefit payouts of $1,129,105.

Year	Entity	Annual Required Contribution	Actual Contribution Made	Percentage Contributed
2013	General	$ 3,060,485	1,089,105	35.6%
	Nursing Home	409,636	40,000	9.8%
	IDA	151	-	0.0%
2012	General	$ 3,060,485	1,358,214	44.4%
	Nursing Home	409,636	-	0.0%
	IDA	151	-	0.0%
2011	General	$ 2,922,611	1,358,214	46.5%
	Nursing Home	386,453	-	0.0%
	IDA	148	-	0.0%

c. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects funds and the enterprise funds. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within 12-month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Liabilities for tax anticipation notes (TANs) are generally accounted for in the general fund. These notes are usually based on a one year term and secured by taxes anticipated to be collected in the subsequent year.

Summary of short term debt:

	Amount	Rate	Term
Capital Project #24 BAN	$2,300,000	.76%	Due 8/27/2014
TAN- General Fund	$4,000,000	.64%	Due 5/30/2014

d. 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 $127,519 for the year ended December 31, 2013. Interest on the Bonds will be payable on May 1, 2013 and November 1, 2013 and semi-annually thereafter on each May 1 and November 1 until maturity.

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, 2013, the outstanding long-term indebtedness of the County aggregated $29,916,531. Of this amount, $3,605,000 was subject to the constitutional debt limit of $42,896,230.

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
2014	530,000	114,894
2015	560,000	100,319
2016	585,000	83,518
2017	620,000	65,968
2018	645,000	45,044
2019	665,000	23,275
Total	3,605,000	433,018

4. Long-Term Debt- Component Units

a. Notes Payable – Franklin County IDA

Note payable Franklin County Local Development Corporation, due September 14, 2015, interest accruing at 5.25% per annum.	$ 657,283
	657,283
Current portion	-
LTD	$ 657,283

a. Bonds Payable -Solid Waste Management Authority

A summary of the Solid Waste Management Authority's bonds payable at June 30, 2013, is as follows:

EFC Bonds to be used in defeasance of 1993 bonds		
Interest is payable semi-annually at 2.82%, principal installments of $110,000 through $170,000 payable annually on December 15, 2005 to 2015	$	495,000
Solid Waste System Refunding bonds, Series 2003A		
Interest payable semi-annually at 3.00% to 4.375%, principal installments of $555,000 through $1,095,000, payable annually on June 1, 2004 to 2015		2,185,000
Water Pollution Control Revolving Fund Revenue Bonds, Series 1995A		
Interest payable semi-annually at 2.01% to 2.89%, principal installments of $345,000 through $550,000, payable annually on May 15, 1996 to 2015.		1,095,000
Solid Waste System Revenue Bond Series 2008		
Interest Payable semiannually at 4.28%, principal installments of $850,000 through $1,035,000, payable annually on June 1, 2009 through 2014.		1,035,000
Solid Waste System Revenue Bond Series 2012		
Interest payable semiannually at 2.0% to 5.0% principal installments of $200,000 through $370,000 first payments due payable annually starting on June 1, 2015 through 2032		4,810,000
Subtotal		9,620,000
Less current installments		(2,830,000)
Total bonds Payable	$	6,790,000

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, 2013, $2,680,000 in bonds outstanding are considered defeased. The Series 2003 Bonds are not subject to redemption prior to maturity, other than Sinking Fund Redemption of the Series 2003B Bonds. The Series 2003B Bonds have a redemption price of 100 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,		
2014	2,830,000	363,553
2015	2,010,000	253,360
2016	375,000	180,797
2017	210,000	174,300
2018	215,000	170,100
2019-2023	1,160,000	750,600
2024-2028	1,430,000	483,750
2029-2032	1,390,000	142,000
	$ 9,620,000	2,518,460

Interest expense on the above indebtedness was $540,239 for the year ended June 30, 2013. Interest paid was $475,499 for the year ended June 30, 2013.

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

A summary of the Solid Waste Management Authority's other long-term debt at June 30, 2013, is as follows:

First Niagara, installment loan payable in semiannual installments of $16,355 including interest at 3.124%, due January 2016, secured by equipment	$ 92,980
BNP Paribus, capital lease payable in semiannual installments of $10,004 including interest at 2.717%, due August 2017, secured by equipment	84,209
Caterpillar Financial Services, capital lease payable in semiannual installments of $35,976 including interest at 2.635%, due August 2017, secured by equipment	303,443
Caterpillar Financial Services, capital lease payable in semiannual installments of $43,901 including interest at 2.095%, due February 2018, secured by equipment	414,749
Total	895,381
Less Current Portion	(191,784)
Net Other Long-Term Debt	$ 703,597

Interest expense incurred and paid on the above indebtedness was $14,173 for the year ended June 30, 2013.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2013, is as follows:

For the year ending June 30, 2014	191,784
2015	196,599
2016	201,539
2017	173,640
2018	131,819
	$ 895,381

5. Other Liabilities

The following is a summary of other liabilities as of December 31, 2013:

a. Primary Government

Governmental Activities		
Overpayments	$	42,805
Accrued Liabilities		1,354
Total Governmental Activities		44,159
Business Activities		
Due to Third Party Payors		144,222
Total Primary Government	$	188,381
Fiduciary Funds		
Restricted Cash and Deposits Payable	$	2,533,809

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, 2013, is as follows:

	Regional Landfill
Total landfill cell capacity	1,598,930 cubic yard
Total landfill cell capacity used through June 30, 2011	1,461,958 cubic yard
Percentage of total landfill capacity	91%
Estimated closure and post closure costs	$ 3,630,909
Environmental and closure accrual	$ 2,477,844
Anticipated closure date	2016

ii. Accrued Interest

Accrued Interest Payable	$	34,231

6. Operating Lease

The County is obligated by an operating lease for a building located on Catherine Street, Malone, New York for the Public Health Nurses and Office of Aging. The five-year lease requires monthly payments of $7,800 starting July 1, 2010. The County also has two additional leases for the Board of Elections and District Attorney which ended in 2012. The District Attorney exercised their option for two additional year and the Board of Elections is paying month to month. The future minimum lease commitments as of December 31 are as follows:

Year	Catherine Street	District Attorney
2014	93,600	-
2015	46,800	-
Total	140,400	-

C. DUE TO/FROM OTHER FUNDS

Due to/from other funds at December 31, 2013, were as follows:

	Due To	Due From
Major Governmental Activities		
General	$ 45,750	58,401
Other Governmental Activities		
County Road	312	97,161
Road Machinery	-	-
Special Revenue	8,401	
Capital Projects	97,161	46,062
Business-Type Activities		
Nursing Home	50,000	-
Total	$ 201,624	201,624

These amounts are eliminated with GASB #34. Any residual balances between governmental and business-type activities are reported in the government-wide financial statements. Noncurrent portion of long-term Nursing Home loan receivables are reported as advances and as reservations of fund balance in the governmental fund statements. However, these balances are reported as unrestricted net position in the government-wide statements of net position.

D. INTERFUND TRANSFERS RECONCILIATION

Operating transfers in (other sources) and operating transfers out (other uses) for the year ended December 31, 2013 were as follows:

Fund	Other Sources	Other Uses
Major Governmental Activities		
General	$ -	4,874,292
Other Governmental Activities		
County Roads	3,622,427	98,994
Road Machinery	645,123	-
Capital Projects	148,994	95,692
Debt Service	632,519	-
Business-Type Activities		
Enterprise	19,915	-
	$ 5,068,978	5,068,978

These amounts are eliminated with GASB #34. Any residual balances between governmental and business-type activities are reported in the government-wide financial statements. 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	$ 9,336
	Prepaids	939,308
	Total NonSpendable Fund Balance	$ 948,644
	Restricted Fund Balance	
	Retirement	$ 728,198
	Health Insurance	49,312
	Unemployment Insurance	411,224
	Tax Stabilization	55,763
	Capital Reserve (Mortgage Tax)	833,054
	Total Restricted Fund Balance	$ 2,077,551
	Assigned Fund Balance	
	Assigned Appropriated	$ 40,400
	Assigned Unappropriated	235,959
	Total Assigned Fund Balance	$ 276,359
Special Revenue	**Funds**	
	NonSpendable Fund Balance	
Road Machinery	Inventory	$ 271,622
	Total NonSpendable Fund Balance	$ 271,622
	Restricted Fund Balance	
Soil and Water	Special reserve	$ 73,673
	Total Restricted Fund Balance	$ 73,673
	Assigned Fund Balance	
CDBG	Assigned Unappropriated	$ 43,100
Soil and Water	Assigned Unappropriated	51,698
Road Machinery	Assigned Appropriated	275,000
Road Machinery	Assigned Unappropriated	662,527
County Roads	Assigned Appropriated	235,000
County Roads	Assigned Unappropriated	1,714,973
	Total Assigned Fund Balance	$ 2,982,298

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, 2013, the $7,333,828 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, 2013, was as follows:

Clinton	$	39,089
Essex	$	21,366
Franklin	$	14,489

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, 2013:

Total Assets	$	1,793,533
Total Liabilities		141,910
Fund Equity:		
Reserved		1,402,209
Unreserved		249,414
Total Fund Equity		1,651,623
Total Revenues (2013)	$	1,313,878
Total Expenses (2013)	$	1,282,992

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 2012 - 2013 fiscal year is as follows:

Franklin	$	1,190,000
Essex	$	1,190,000

The following is a summary of the financial information in audited financial statements issued for the joint venture as of and for the year ended August 31, 2013:

Total Assets	$ 9,480,944
Total Liabilities	(4,603,213)
Net Assets	$ 4,877,731
Total Revenues (2012-13)	$ 15,025,672
Total Expenditures (2012-13)	$ 15,613,278

NOTE VI - COMMITMENTS AND CONTINGENCIES

A. LITIGATION AND SUBSEQUENT EVENTS

The County has a total of 13 active tort claims pending as of December 31, 2013. 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, 2013, and are recorded as Accounts Receivable and Deferred Revenue:

	School Taxes	School Interest and Penalty	Town and County Tax	Base Lien Amount
Fort Covington	$ 169,469	15,490	321,960	589,627
Bombay	2,052,443	187,122	1,395,012	4,350,246
	$ 2,221,912	202,612	1,716,972	4,939,873

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. RMSCO, Inc., 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	$ 632,087
Plus: Incurred Claims (including IBNR's)	6,383,804
Less: Claim Payments	(6,415,891)
Unpaid Claims, End of Fiscal Year	$ 600,000

C. FEDERAL AND STATE GRANTS

The local government has received grants in excess of $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, 2013, the County paid $221,601 of benefits from the unemployment insurance reserve. At December 31, 2013, the County recognized a liability for unpaid, unasserted claims of $49,045 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 24 participants, including the County of Franklin, at December 31, 2013. 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, 2013, 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, 2013, totaled $6,175,486.

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 $6,175,486 for the year ended June 30, 2013. The Authority owed Franklin County $493,844 at June 30, 2013 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.

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

During the year ended June 30, 2013, the Authority recognized positive cash flows from operating activities of $2,341,348. Management is continuing to find means to insure that future cash flows from operating activities will be sufficient to allow the Authority to meet its operating costs, debt service, and intended capital improvement programs if current contracts continue. Furthermore, management expects the Authority to continue as a going concern based on its services agreement with the County, in which the Authority's future debt service and operation and maintenance costs are guaranteed by the County as described in the Authority's bond documents.

H. TOURISM EQUITY TRANSFER TO FRANKLIN COUNTY

The Franklin County Industrial Development Agency transferred to Franklin County in March, 2014, the remaining net tourism asset totaling $82,588.

I. NURSING HOME MERGER

The County is pursuing plans to merge the Nursing Home with a new facility to be owned and operated by the Alice Hyde Medical Center in Malone, New York.

NOTE VII - NET WORKING CAPITAL

	Net Working Capital (Deficit)	Current Assets	Current Liabilities
Solid Waste Management Authority	$ 1,988,110	6,058,929	4,070,819
Civic Development Corporation	12,525	12,525	-
Industrial Development Agency	708,064	709,638	1,574
Enterprise Fund	$ 1,525,083	1,964,159	439,076

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 2013 totaled $687,325 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 received the prior year revenues in 2013. The County recorded accounts receivable for May 21st to June 30, 2013, July 1st to September 30, 2013 based on correspondence from NYS for $1,146,394 and estimated the last quarter of 2013 in the amount of $800,000, which half is due to the Towns of Bombay and Fort Covington.

NOTE X – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 24, 2014 the date on which the financial statements were available to be issued.

NOTE XI – NET POSITION RESTATEMENT

The Nursing Home restated its 2012 financial statements to reflect the other post-employment benefits (OPEB) liability which is allocated to the Nursing Home since the County adopted GASB 45. The County adjusted for the inverse of this adjustment on its records because it was recording the entire liability. A reconciliation of the adjustments to the financial statements is as follows:

		12/31/2013
Net position at the beginning of the year as previously reported	$	1,965,919
Adjustment for prior years OPEB liability		(3,483,461)
Net position at the beginning of the year as restated		(1,517,542)
Change in net position (as restated for 2012)		685,596
Net position, end of year	$	(831,946)

SCHEDULE 1

COUNTY OF FRANKLIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
BUDGETARY FUND BALANCE - JANUARY 1	$ 5,710,556	5,710,556	5,710,556	-
RESOURCES (INFLOWS):				
Real Property Taxes	14,989,181	14,989,181	14,404,751	(584,430)
Real Property Tax Items	1,792,605	1,792,605	1,910,367	117,762
Non-Property Tax Items	21,143,000	21,143,000	20,956,343	(186,657)
Departmental Income	11,609,678	12,191,553	12,109,711	(81,842)
Intergovernmental Charges	6,573,659	6,608,759	6,620,387	11,628
Use of Money and Property	694,745	724,745	686,516	(38,229)
Fines and Forfeitures	319,183	319,964	242,200	(77,764)
Sale of Property and Compensation for Loss	695,000	711,000	749,737	38,737
Miscellaneous Local Sources	1,947,188	2,728,229	2,422,474	(305,755)
Interfund Revenues	1,272,670	1,272,670	1,122,333	(150,337)
State Aid	13,634,716	14,801,147	14,023,369	(777,778)
Federal Aid	8,229,889	9,322,796	9,748,350	425,554
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	82,901,514	86,605,648	84,996,538	(1,609,110)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General Government Support	8,663,026	9,150,414	8,524,359	626,055
Education	4,783,307	4,843,307	4,719,929	123,378
Public Safety	8,793,114	9,671,226	9,328,500	342,726
Health	8,823,980	9,390,522	8,602,811	787,711
Transportation	1,272,567	1,437,151	1,457,801	(20,650)
Economic Assistance and Opportunity	32,552,749	34,567,331	34,572,710	(5,379)
Culture and Recreation	176,094	233,855	144,205	89,650
Home and Community Services	6,629,905	6,629,905	6,629,095	810
Employee Benefits	7,098,550	7,073,550	7,205,581	(132,031)
Transfers to Other Funds	4,791,459	4,874,292	4,874,292	-
Total Charges to Appropriations	83,584,751	87,871,553	86,059,283	1,812,270
Budgetary Fund Balance, December 31	$ 5,027,319	4,444,651	4,647,811	203,160

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

SCHEDULE 2

COUNTY OF FRANKLIN
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
BUDGETARY FUND BALANCE, JANUARY 1	$ 2,879,904	2,879,904	2,879,904	-
RESOURCES (INFLOWS):				
Departmental Income	1,000	1,000	42,812	41,812
Use of Money and Property	375	375	204	(171)
Sale of Property and Compensation for Loss	10,000	10,000	19,029	9,029
Miscellaneous Local Sources	313,341	313,341	139,115	(174,226)
Interfund Revenues	-	-	-	-
State Aid	-	-	2,574	2,574
Federal Aid	-	-	13,726	13,726
Transfers from Other Funds	4,158,940	4,171,858	4,267,550	95,692
Amounts Available for Appropriation	4,483,656	4,496,574	4,485,010	(11,564)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public Safety	164,289	134,992	114,867	20,125
Transportation	4,411,867	4,550,984	3,991,931	559,053
Economic Assistance and Opportunity	-	-	-	-
Home and Community Services	-	-	-	-
Transfers to Other Funds	95,000	104,000	98,994	5,006
Total Charges to Appropriations	4,671,156	4,789,976	4,205,792	584,184
Budgetary Fund Balance, December 31	$ 2,692,404	2,586,502	3,159,122	572,620

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

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	$ 84,996,538	4,485,010
Revenues not included in budgetary comparison, not part of the adopted budget, including subrecipient grants	-	3,641,424
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	-	(4,267,550)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	$ 84,996,538	3,858,884
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	$ 86,059,283	4,205,792
Expenditures not included in budgetary comparison, not part of the adopted budget, including subrecipient grants	-	6,431,690
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(4,874,292)	(98,994)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	$ 81,184,991	10,538,488

COUNTY OF FRANKLIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 2,992,616	187	353,029	3,345,832
Other Receivables, Net	75,438	-	-	75,438
State and Federal Receivables	139,114	-	734,083	873,197
Inventories	271,622	-	-	271,622
Prepaid Expenses	6,123	-	-	6,123
Due From Other Funds	97,161	-	46,062	143,223
Total Assets	3,582,074	187	1,133,174	4,715,435
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	35,564	-	27,153	62,717
Accrued Liabilities	30,678	-	-	30,678
Due To Other Governments	6,758	-	-	6,758
Other Liabilities	1,000	-	2,300,000	2,301,000
Due To Other Funds	8,713	-	97,161	105,874
Total Liabilities	82,713	-	2,424,314	2,507,027
Deferred Inflow of Resources				
Unavailable Revenue - Community Development Loans	139,897	-	-	139,897
Fund Balances				
Nonspendable:				
Inventory	271,622	-	-	271,622
Restricted:				
Other	73,673	-	-	73,673
Committed:				
Committed for Future Purchases	-	-	-	-
Assigned				
Assigned Appropriated	510,000	-	-	510,000
Assigned Unappropriated	2,472,298	-	-	2,472,298
Unassigned	31,871	187	(1,291,140)	(1,259,082)
Total Fund Balances	3,359,464	187	(1,291,140)	2,068,511
Total Liabilities, Deferred Inflow or Resources and Fund Balances	$ 3,582,074	187	1,133,174	4,715,435

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

SCHEDULE 4

COUNTY OF FRANKLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Departmental Income	$ 54,147	-	-	54,147
Use of Money and Property	1,304	-	423	1,727
Sale of Property and Compensation for Loss	32,765	-	-	32,765
Miscellaneous Local Sources	158,163	-	6,364	164,527
Interfund Revenues	70,000	-	-	70,000
State Aid	171,424	-	2,117,829	2,289,253
Federal Aid	18,926	-	1,227,539	1,246,465
Total Revenues	506,729	-	3,352,155	3,858,884
EXPENDITURES				
General Government Support	-	-	-	-
Public Safety	114,867	-	-	114,867
Transportation	3,991,931	-	5,550,285	9,542,216
Economic Assistance and Opportunity	248,886	-	-	248,886
Home and Community Services	-	-	-	-
Debt Service (Principal and Interest)	-	632,519	-	632,519
Total Expenditures	4,355,684	632,519	5,550,285	10,538,488
Excess of Revenues Over (Under) Expenditures	(3,848,955)	(632,519)	(2,198,130)	(6,679,604)
OTHER FINANCING SOURCES (USES)				
Proceeds From Debt	-	-	-	-
Transfers From Other Funds	4,267,550	632,519	148,994	5,049,063
Transfers To Other Funds	(98,994)	-	(95,692)	(194,686)
Net Other Financing Sources (Uses)	4,168,556	632,519	53,302	4,854,377
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	319,601	-	(2,144,828)	(1,825,227)
Fund Balances-Beginning of the Year	3,039,863	187	853,688	3,893,738
Fund Balances-End of the Year	$ 3,359,464	187	(1,291,140)	2,068,511

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

SCHEDULE 5

COUNTY OF FRANKLIN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2013

	Road Machinery Fund	County Roads Fund	Special Grant Fund	CDBG Fund	Soil and Water Conservation District	Total Special Revenue Funds
ASSETS						
Cash and Cash Equivalents	$ 949,935	1,755,081	13,567	123,814	150,219	2,992,616
Other Receivables, Net	9,006	4,757	-	60,775	900	75,438
State and Federal Receivables	-	139,114	-	-	-	139,114
Due From Other Governments	-	-	-	-	-	-
Inventories	271,622	-	-	-	-	271,622
Prepaid Expenses	-	-	-	-	6,123	6,123
Due From Other Funds	-	97,161	-	-	-	97,161
Total Assets	1,230,563	1,996,113	13,567	184,589	157,242	3,582,074
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	16,803	18,761	-	-	-	35,564
Accrued Liabilities	4,611	26,067	-	-	-	30,678
Other Liabilities	-	1,000	-	-	-	1,000
Due To Other Governments	-	-	5,166	1,592	-	6,758
Due To Other Funds	-	312	8,401	-	-	8,713
Total Liabilities	21,414	46,140	13,567	1,592	-	82,713
DEFERRED INFLOW OF RESOURCES						
Unavailable Revenue - Community Development Loans	-	-	-	139,897	-	139,897
Fund Balances						
Nonspendable:						
Inventory	271,622	-	-	-	-	271,622
Restricted:						
Other	-	-	-	-	73,673	73,673
Committed:						
Committed for Future Purchases	-	-	-	-	-	-
Assigned:						
Assigned, Appropriated	275,000	235,000	-	-	-	510,000
Assigned, Unappropriated	662,527	1,714,973	-	43,100	51,698	2,472,298
Unassigned	-	-	-	-	31,871	31,871
Total Fund Balances	1,209,149	1,949,973	-	43,100	157,242	3,359,464
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	$ 1,230,563	1,996,113	13,567	184,589	157,242	3,582,074

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

SCHEDULE 6

COUNTY OF FRANKLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Road Machinery Fund	County Roads Fund	Special Grant Fund	CDBG Fund	Soil and Water Conservation District	Total Special Revenue Funds
REVENUES						
Departmental Income	$ -	42,812	-	-	11,335	54,147
Use of Money and Property	22	182	-	1,078	22	1,304
Sale of Property and Compensation for Loss	2,184	16,845	-	-	13,736	32,765
Miscellaneous Local Sources	139,115	-	-	2,570	16,478	158,163
Interfund Revenues	-	-	-	-	70,000	70,000
State Aid	-	2,574	-	-	168,850	171,424
Federal Aid	-	13,726	-	-	5,200	18,926
Total Revenues	141,321	76,139	-	3,648	285,621	506,729
EXPENDITURES						
Public Safety	-	114,867	-	-	-	114,867
Transportation	838,199	3,153,732	-	-	-	3,991,931
Economic Assistance and Opportunity	-	-	-	-	248,886	248,886
Home and Community Services	-	-	-	-	-	-
Debt Service (Principal and Interest)	-	-	-	-	-	-
Total Expenditures	838,199	3,268,599	-	-	248,886	4,355,684
Excess of Revenues Over (Under) Expenditures	(696,878)	(3,192,460)	-	3,648	36,735	(3,848,955)
OTHER FINANCING SOURCES (USES)						
Transfers From Other Funds	645,123	3,622,427	-	-	-	4,267,550
Transfers To Other Funds	-	(98,994)	-	-	-	(98,994)
Net Other Financing Sources	645,123	3,523,433	-	-	-	4,168,556
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(51,755)	330,973	-	3,648	36,735	319,601
Fund Balances-Beginning of the Year	1,260,904	1,619,000	-	39,452	120,507	3,039,863
Fund Balances-End of the Year	$ 1,209,149	1,949,973	-	43,100	157,242	3,359,464

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

COUNTY OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Funding Agency, Pass Through Agency, and Program Title	Federal CFDA Number			Expenditures 2013	Program Expenditures By Dept.
U.S. Department of Agriculture:					
Pass Through Agency - NYS Department of Health and Human Services					
Supplemental Nutrition Assistance Program (SNAP)Administrative Co:	10.561		$	439,860	
Pass Through Agency - NYS Department of Education					
National School Lunch Program	10.555			8,788	
Subtotal					$ 448,648
U.S. Department of Health & Human Services:					
Pass Through Agency - NYS Office of the Aging					
Title VII, Ombudsman	93.041			18,414	
Title III-D	93.043			3,629	
Aging Cluster:					
III-B	93.044	*	71,769		
III-E	93.052	*	26,603		
Nutrition III-C	93.045	*	103,528		
Commodity Foods-NSIP	93.053	*	109,639		
Aging Cluster				311,539	
Systems Integration Grant	93.048			6,559	
HIICAP	93.779			14,802	
Pass Through Agency - NYS Department of Family Assistance					
Social Services Block Grant (Title XX)	93.667	*		410,730	
Temporary Assistance for Needy Families(TANF) (INCLUDES FLEXIBLE FUND FOR FAMILY SERVICES)	93.558	*		4,138,597	
Low Income Home Energy Assistance and WRAP	93.568			3,832,888	
Child Care and Development Block Grant	93.575			1,311,845	
Child Support Enforcement (Title IV - D)	93.563			499,838	
Foster Care (Title IV-E)	93.658	*		712,034	
Adoption	93.659			11,506	
Pass Through Agency - NYS Health Department					
Medical Assistance Program(Medicaid; Title XIX)	93.778	*		1,099,629	
Immunization Action Plan	93.268			28,665	
Childhood Lead Poisoning Prevention	93.994			21,531	
Early Intervention Administration	84.181			21,863	
Federal Reimbursement/CSHCN	93.994			17,944	
Pass Through Agency - NYS Office of Mental Health					
Federal Medicaid Administrative Salary Sharing	93.778	*		44,852	
Pass Through Agency - NYS Department of Labor					
Temporary Assistance for Needy Families	93.558			-	
Pass Through Agency - NYS Office of Alcohol and Substance Abuse Services					
Federal Medicaid Administrative Salary Sharing	93.778	*		6,300	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	*		299,970	
					12,813,135

See accompanying Notes to Schedule of Expenditures of Federal Awards.

Pass Through Agency - Health Research Incorporated					
Public Health Emergency Preparedness Program	93.069			55,245	
HLP and Colorectal	93.283			31,908	
					87,153
Pass Through Agency - National Association of County and City Health Officials					
Medical Reserve Corps (MRC)	93.008			2,895	
					2,895
U.S. Department of Labor:					
Pass Through Agency - NYS Department of Labor					
Trade Adjustment Assistance Workers(TAA)	17.245			2,622	
WIA Cluster:					
WIA Adult Program	17.258		2,307		
WIA Youth Activities	17.259		237		
WIA Cluster				2,544	
Pass Through Agency - NYS Office of the Aging					
Title V	17.325			89,281	
Subtotal					94,447
U.S. Department of Transportation:					
Pass Through Agency - NYS Department of Transportation					
Public Transportation	20.509			299,950	
Federal Aid Highway Program(Safe Routes to School)	20.205	*		20,903	
Federal Aid Highway Program(HBRR/STP)	20.205	*		1,220,362	
Job Access Reverse Commute (JARC)	20.516			217,067	
Subtotal					1,758,282
U.S. Department of Homeland Security					
Disaster Grants (Presidentially Declared Disasters)FEMA-4129-DR-NY	97.036			6,942	
Subtotal					6,942
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			149,007	
Homeland Security Grant Program- SHSP-Technical Rescue	97.067			9,609	
Homeland Security Grant Program- IECGP	97.055			223,308	
Law Enforcement Terrorism Prevention Program (LETPP)	97.067			24,676	
Operation Stonegarden	97.067			331,904	
					738,504
U.S. Department of Treasury:					
Federal Equitable Sharing	21.000			14,591	
					14,591
U.S. Department of Justice:					
State and Local Domestic Preparedness Technical Assistance	16.010			31,324	
Federal Equitable Sharing	16.922			211,171	
Subtotal					242,495
Total Federal Financial Assistance Program Expenditures					$ 16,207,092

* 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, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of Franklin and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - BASIS OF PRESENTATION

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 or Franklin County Nursing Home.

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, 2013, Franklin County distributed $12,393,704 worth of food stamps to eligible persons participating in the Food Stamps Program (CFDA Number 10.551). 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 2013, the State paid $3,722,047 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 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.

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

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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 Chairman and Members
Of the Legislature
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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Franklin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise County of Franklin's basic financial statements, and have issued our report thereon dated June 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Franklin'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 County of Franklin's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Franklin's internal control.

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

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. Items noted are 2007-01, 2006-01 (Nursing Home Audit), and 2013-01 (SWMA Audit).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Franklin'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 2013-02 (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 of Franklin'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.

Orchard Park, New York
June 24, 2014

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Franklin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Franklin's major federal programs for the year ended December 31, 2013. County of Franklin'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Franklin'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 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 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 major federal program. However, our audit does not provide a legal determination of County of Franklin's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2013.

Report on Internal Control Over Compliance

Management of 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 County of Franklin'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 OMB Circular A-133, 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 County of Franklin'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

Orchard Park, New York
June 24, 2014

COUNTY OF FRANKLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I – Summary of Auditors Results

Financial Statements

Type of auditors report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	______ yes __x__ no
Significant deficiency(ies) identified?	__x__ yes ______ none reported
Noncompliance material to financial statements noted?	______ yes __x__ 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 §510(a) of OMB Circular A-133?	______ yes __x__ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.044, 93.052, 93.045, 93.053	Office of Aging Cluster
93.667	Social Services Block Grant
93.558	Temporary Assistance for Needy Family (TANF)
93.658	Foster Care
93.778	Medical Assistance
93.959	Block Grant for Prevention and Treatment of Substance Abuse
20.205	Federal Aid Highway Program

Dollar threshold used to distinguish between type A and type B programs:	$ 486,213
Auditee qualified as low-risk auditee?	__x__ yes ______ no

Section II – Financial Statement Findings

2007-01 Policies and Procedures

Criteria: Policies and Procedures should be updated, documented, and made available to all employees in a manual. Such a manual would serve as an aid in training new employees, monitoring the performance of existing employees, and improving internal communications. The manual should be a tool for processing daily transactions and doing business. The policies are as follows:

- Purchasing and Accounts Payable
- Encumbrances
- Data Processing
- Fixed Assets
- Ethics

Condition: Various policies which have not been updated in many years are not applicable to changing technology and ways of doing business with the County.

Cause: Processes are not uniform throughout the County.

Recommendation: County to update and approve new policies, and enforce these new policies.

Response: Management has drafts of certain policies and will update other policies and request approval from Board of Legislature.

2006-01 Lack of Professional Accounting Staff (Nursing Home Audit)

Like many organizations without a professional accounting staff, you have relied on your independent auditors for guidance on preparation of financial statements and footnote disclosures. The professional guidance in this area clearly states that if outside auditors need to make significant adjustments to your financial statements for them to be correct, that must be communicated to management as a significant deficiency or as a material weakness.

2013-01 Segregation of Duties (Solid Waste Management Authority)

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.

Management's Response: Purchases are made by supervisors. The secretary verifies that the invoices coincide with vendors statements and prepares vouchers. Normally, after vouchers are verified and signed by the Chairman of the Board, the secretary prints the checks. The Executive Director reviews the signed vouchers and signs the checks. In the absence of the Executive Director, the Treasurer has the authority to sign checks. The Executive Director opens the monthly bank statements, reviews the signatures on the canceled checks, and then initials the bank statement. The Treasurer also reviews the operating account's statements. An important control the Authority has is liability insurance in the amount of $100,000 per employee.

The following item is considered an instance of noncompliance.

2013-02 Debt Service Fund Not Properly Funded (Solid Waste Management Authority)

Condition: At times during the fiscal year, the Debt Service Fund was not properly funded as required by the Bond Resolution. Section 606(b) of the 1993 Bond Resolution requires the Authority to deposit monthly, with the Trustee, $1/6^{th}$ of the amount required to be paid on the next succeeding interest payment date and $1/12^{th}$ of the amount required to be paid on the next principal payment date.

Cause: The Authority had insufficient cash flow to make the deposits as required and pay a bond installment that was coming due.

Effect: At time during the fiscal year, the Authority is not in compliance with the 1993 Bond Resolution.

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

Management's Response: Management was dealing with a difficult cash flow situation. This required careful cash management to ensure that current cash requirements were met and to ensure funding for the bond payments. All obligations were met by year end as usual. Management anticipates this will be alleviated with the paying off of bonds in 2015 and sufficient airspace to generate enough cash flow to meet all future financial obligations.

Section III – Federal Award Findings and Questioned Costs

No reported federal award findings and questioned costs for December 31, 2013

COUNTY OF FRANKLIN
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

The following items were audit findings noted in the December 31, 2012 audit report.

2007-01 Policies and Procedures

Condition: Various policies which have not been updated in many years are not applicable to changing technology and ways of doing business with the County.

Recommendation: County to update and approve new policies, and initiate controls over the new policies.

Current Status: We noted certain policies were drafted by the end of fieldwork. We are commenting on this again in 2013.

2006-01 Lack of Professional Accounting Staff (Nursing Home Audit)

Condition: Like many organizations without a professional accounting staff, you have relied on your independent auditors for guidance on preparation of financial statements and footnote disclosures. The professional guidance in this area clearly states that if outside auditors need to make significant adjustments to your financial statements for them to be correct, that must be communicated to management as a significant deficiency or as a material weakness.

Current Status: This was commented again in the December 31, 2013 audit of the Nursing Home.

2012-01 Deficiencies in the Design of Controls over Financial Statement Preparation (Solid Waste Management Authority)

Condition: During our review of accounts payable and search for unrecorded liabilities, we noted an unrecorded account payable for services provided prior to year end. We also proposed audit adjustments to correctly record new bond premium and issuance costs. U.S. generally accepted accounting principles are concerned with the measurement of economic activity, the time when such measurements are made and recorded, the disclosures surrounding these activities, and the preparation and presentation of summarized economic information in the form of financial statements. Without the proper recording of certain transaction, the Authority's actual economic state is not being reflected.

Current Status: This comment was cleared.

2012-2 Segregation of Duties (Solid Waste Management Authority)

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. Additionally, the bookkeeper is 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 2013-01

2012-03 Debt Service Fund Not Properly Funded (Solid Waste Management Authority)

Condition: At times during the fiscal year, the Debt Service Fund was not properly funded as required by the Bond Resolution. Section 606(b) of the 1993 Bond Resolution requires the Authority to deposit monthly, with the Trustee, 1/6th of the amount required to be paid on the next succeeding interest payment date and 1/12th of the amount required to be paid on the next principal payment date.

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

Current Status: This comment is reported on again as 2013-02

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Prior Audit Finding- 12/31/2012

Federal Agency: U.S. Department of Labor

Program Name: Workforce Investment Act (WIA)

CFDA# and Program Expenditures: 17.258, 17.259, 17.278, 17.245, 17.277, 17.207

Questioned Costs: $5,166.37

Finding 2012-04 Incomplete Monitoring of Financial Information

The County did not maintain reconciled information during the transition of this program to another County for administration. We noted the following non-compliance areas during our review:

Period of Availability of Federal Funds – the County was not allowed to have excess cash from this program over $1,000. We noted that the bank account has over $1,000 numerous times during the year and requisitions were not consistent with expenditures.

Allowable Costs – We noted that grants were requisitioned improperly and costs were not matching funding for various grants. Some grants were over funded and others were underfunded.

Reporting – We noted no reporting of final expenses or cash requirements. Also no final closeout of this grant has been completed.

Internal Controls

We noted that internal controls over this program were not kept up during the transition of this grant-no accounting, monitoring, or reporting was completed.

The accounting for this grant was not updated until our fieldwork in May, 2013; the County had transferred the administration to another County back in October, 2012. Final closeout of these funds has still not been completed.

Current Status: This comment was cleared and all funds have been remitted.

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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 Chairman and Members
Of the Legislature
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 are applicable to each state transportation assistance program tested for the year ended December 31, 2013. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questions costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of the County of Franklin's management. Our responsibility is to express and opinion on the County of Franklin's compliance based on our audit.

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. Our audit does not provide a legal determination on the County of Franklin's compliance with those requirements.

In our opinion, the County of Franklin complied in all material respects with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended December 31, 2013.

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 for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Draft part 43 of NYCRR.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of law, regulations, contracts, and grants, that would be material in relation to state transportation assistance programs tested, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations 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, 2013, and have issued or report thereon dated June 24, 2014. 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.

Orchard Park, New York
June 24, 2014

County of Franklin
Schedule of State Transportation Assistance Expended
For the Year Ended December 31, 2013

CHIPS Capital Reimbusrement Project	720000	1,437,132
Marchicelli/bond Match for Federal Aid Highway		
	PIN775270	196,515
	PIN775295	29,729
Total		1,663,376

County of Franklin
Notes to Schedule of State Transportation Assistance Expended
For the Year Ended December 31, 2013

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:

PIN775270	$65,505
PIN775295	9,659

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, 2013

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:	Unqualified

Identification of State transportation Assistance Programs tested:

Name

CHIPS- Capital Reimbusements
State portion of Marchicelli

Compliance Findings and Questioned Costs:

No matters were reported