

COUNTY OF FRANKLIN
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2018

COUNTY OF FRANKLIN
FOR THE YEAR ENDED DECEMBER 31, 2018

Executives

| | |
|------------------|--------------------|
| County Manager | Donna Kissane |
| Treasurer | Frances Perry |
| Deputy Treasurer | Shari Fournier |
| County Clerk | Kip Cassavaw |
| County Auditor | Kristina Fountain |
| County Attorney | Jonathan J. Miller |

Franklin County Legislature-January 1, 2019

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

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Raymond A. Mercer, CPA 1931-1983

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin (the "County"), as of and for the year ended December 31, 2018, 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.

Auditors' Responsibility

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

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

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



Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements, the NYS DOT supplemental information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, combining component units' statements, the NYS DOT supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2019, 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.

West Seneca, New York
August 13, 2019



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, 2018. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position increased by \$7,801,104, from \$38,909,562 to \$46,710,666. \$3.9 million of this increase is due to the prior period adjustment that was required by the implementation of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. In addition, other non-property tax revenue items were approximately \$1.8 million higher than the prior year while economic assistance and opportunity expenses, health expense, and public safety expense were lower by approximately \$2.8 million, \$2.4 million, and \$1.9 million respectively. These items were partially offset by reductions in revenue for charges for services of approximately \$7.2 million and capital grant revenue of approximately \$1.1 million.
- During the year, the County's governmental activities expenses were \$84,326,821 compared to revenues of \$88,222,067, of which \$43,284,098, or 49.1 percent, was from property and non-property tax items (sales tax), compared to 43.8 percent in 2017.
- The County's component units had a combined increase in net position of \$118,037. The Franklin County Solid Waste Management Authority had operating net income of \$281,446 on revenues of \$13,152,190 and expenses of \$12,870,744. It also had investment earnings of \$110,603 which resulted in a net position increase of \$392,049 for the Authority. The Franklin County Industrial Development Agency had a decrease in net position of \$285,253, and the Rainbow Lake Water Protection District had an increase in net position of \$14,027. The Franklin County Civic Development Corporation had a decrease in net position of \$2,786.

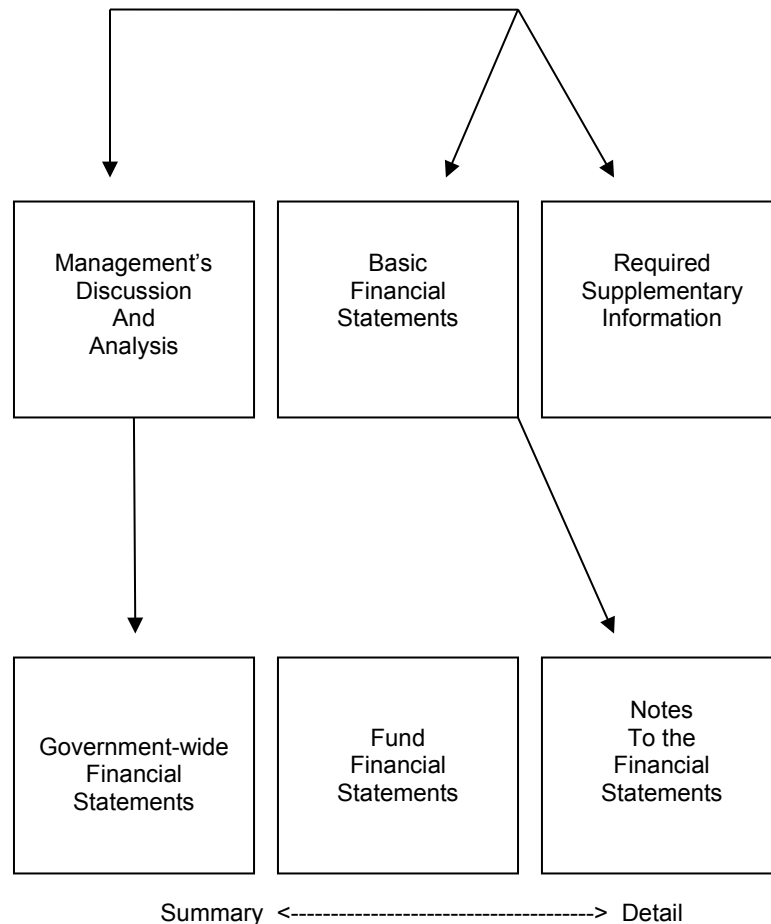
OVERVIEW OF THE FINANCIAL STATEMENTS

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 Internal Service Fund.
- 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. | Instances in which the County is the trustee or agent for someone else's resources |
| Required financial Statements | <ul style="list-style-type: none"> Statement of net position Statement of activities | <ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows | <ul style="list-style-type: none"> 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.
- 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.
 - 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 \$48,632,385, which is greater than last years' net position by \$7,919,141. As noted above, approximately \$3.9 million of this increase in net position is due to the prior period adjustment that was recorded upon the implementation of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The following is a summary of the county's net position:

Net position of the County's governmental activities increased \$7,801,104 to \$46,710,666. 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 \$4,866,659 deficit at the end of this year. This means that the County does not have resources available to pay its obligations next year based on the full accrual basis of accounting. Based on fund accounting, the General Fund has \$3,358,477 in unassigned fund balance compared to \$2,742,099 in 2017.

| | Primary Government | | |
|----------------------------------|--------------------|----------------|---------------|
| | Governmental Funds | | |
| | (In Millions) | | |
| | 2018 | 2017 | Change |
| Current and other assets | \$ 45.27 | 42.60 | 2.67 |
| Capital assets, net | 50.53 | 50.90 | (0.37) |
| Total assets | <u>95.80</u> | <u>93.50</u> | <u>2.30</u> |
| Deferred outflows of resources | <u>11.21</u> | <u>6.68</u> | <u>4.53</u> |
| Current liabilities | 16.63 | 17.73 | (1.10) |
| Non-current liabilities | <u>34.01</u> | <u>39.96</u> | <u>(5.95)</u> |
| Total liabilities | <u>50.64</u> | <u>57.69</u> | <u>(7.05)</u> |
| Deferred inflows of resources | <u>9.66</u> | <u>3.58</u> | <u>6.08</u> |
| Net investment in capital assets | 47.94 | 47.44 | 0.50 |
| Restricted net position | 3.64 | 2.60 | 1.04 |
| Unrestricted net position | <u>(4.87)</u> | <u>(11.13)</u> | <u>6.26</u> |
| Total net position | <u>\$ 46.71</u> | <u>38.91</u> | <u>7.80</u> |

Changes in Position

Only 21 percent of the County's revenue comes from property taxes. Another 15 percent comes from fees charged for services, and 28 percent from non-property tax items (sales tax). The remaining 36 percent revenues comprise state and federal aid and a small amount from investment earnings.

The total costs of all programs in governmental activities have decreased by \$9,686,950, or 10.3% from the prior year. The largest portion of the County's expenses, or 45.4 percent, is for Economic

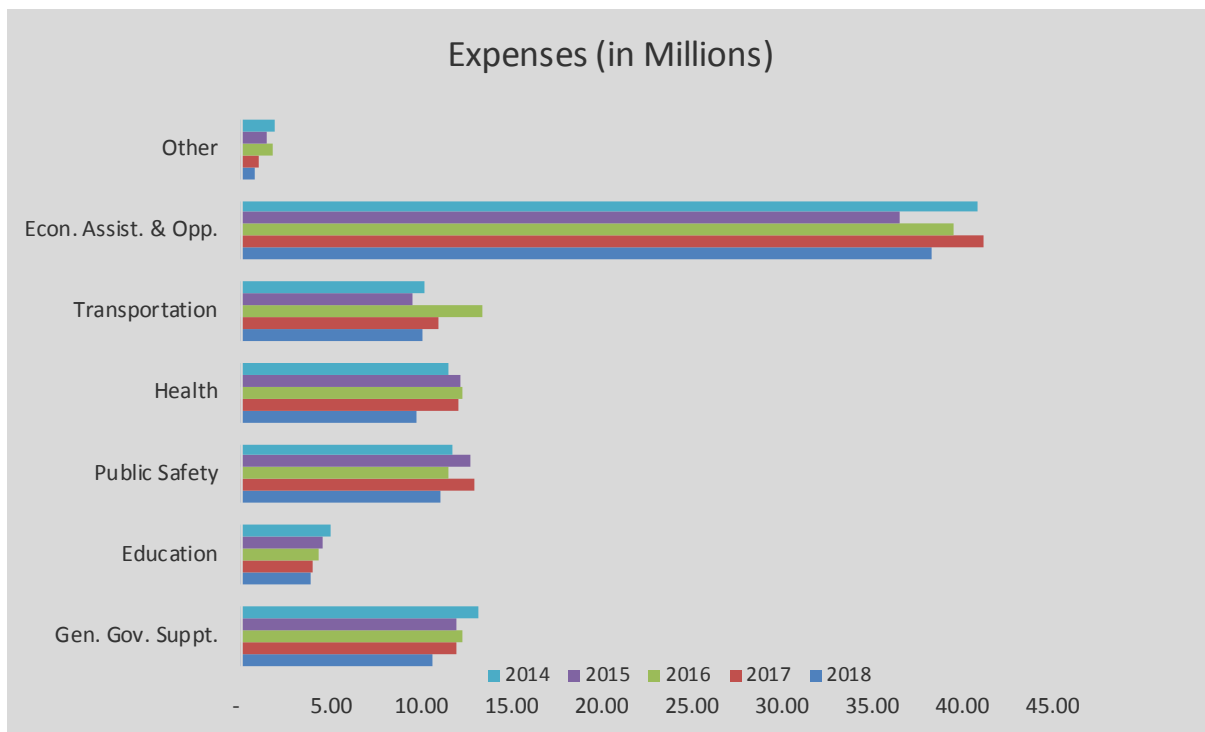
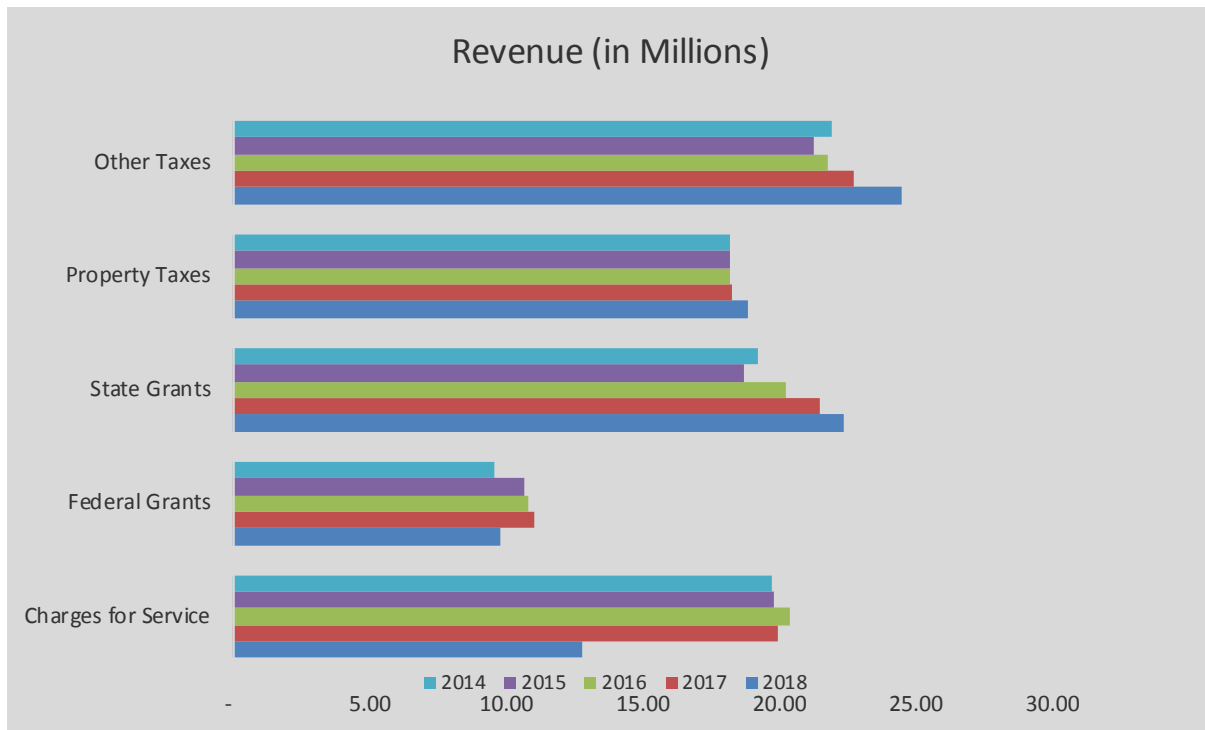
Assistance and Opportunity, which is supported, for the most part, by state and federal revenues. The largest portion of the deficit in funding is the cost of Medicaid, which is budgeted.

Governmental Activities

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

| Changes in Net Position (In Millions) | | |
|--|---------------------------------------|---------------|
| | Total Primary Governmental | |
| | 2018 | 2017 |
| REVENUES | | |
| Program Revenues | | |
| Charges for Service | \$ 12.80 | 19.97 |
| Federal Grants | 9.78 | 11.01 |
| State Grants | 22.35 | 21.48 |
| General Revenues | | |
| Property Taxes | 18.81 | 18.24 |
| Other Taxes | 24.47 | 22.69 |
| Investment Earnings | 0.01 | 0.01 |
| Total Revenues | <u>88.22</u> | <u>93.40</u> |
| EXPENSES | | |
| General Government Support | 10.58 | 11.93 |
| Education | 3.88 | 3.98 |
| Public Safety | 11.04 | 12.93 |
| Health | 9.69 | 12.10 |
| Transportation | 10.05 | 10.96 |
| Economic Assistance and Opportunity | 38.32 | 41.15 |
| Culture and Recreation | 0.15 | 0.18 |
| Home and Community Services | 0.51 | 0.64 |
| Loss on Disposal of Equipment | - | 0.01 |
| Debt Service | 0.10 | 0.13 |
| Total expenses | <u>84.32</u> | <u>94.01</u> |
| Increase (Decrease) in Net Position from Operations | <u>3.90</u> | <u>(0.61)</u> |
| Change in Accounting Standards - GASB No. 75 | <u>3.90</u> | <u>-</u> |
| Increase (Decrease) in Net Position | <u>\$ 7.80</u> | |

Property tax revenues were unfavorable by \$515,731 compared to the final budget estimates. The County's final budget estimated revenue exceeded the actual revenue sources by \$4,094,197.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$9,979,222, which is higher than last year.

- The County spent \$4,451,668 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.
- The County also had the New York State retirement expense decrease from \$2,620,028 in 2017 to \$2,573,081 in 2018 for the primary government.

General Fund Budgetary Highlights

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

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances.
- Increases in appropriations to prevent budget overruns.
- Increases for new grants or revenue.

Even with these adjustments, actual expenditures in the General Fund were \$6,202,668 below final budget amounts. Resources available for appropriation were \$4,140,055 below the final budgeted amount. As noted earlier:

- Property tax collections and other property tax items were over budgeted by \$515,731 and \$129,751 respectively. These amounts were largely offset by non-property tax items being under budgeted by \$626,126.
- Federal and state aid were over budgeted by \$1.8 million and \$1.9 million respectively.
- General government support expenses, health expenses, and economic assistance and opportunity expenses came in under budget by \$1.7 million, \$1.2 million, and \$1.4 million respectively.

The County's general fund fund balance of \$7,043,363 differs from the general fund's budgetary fund balance of \$4,980,750 reported in the budgetary comparison schedule principally because the overestimation of expenses exceeded the overestimation of revenue.

Capital Assets

At the end of 2018, the County had invested \$128,414,747 in a broad range of capital assets, including equipment, buildings, roads, and bridges. This amount represents a net increase (including additions and deductions) of \$4,252,677 over last year.

| | 2018 Total | 2017 Total |
|----------------------------|-----------------------|--------------------|
| Land | \$ 437,016 | 437,016 |
| Buildings and Improvements | 29,603,686 | 29,593,732 |
| Equipment | 15,594,097 | 15,009,630 |
| Infrastructure | 80,044,731 | 75,570,779 |
| Construction-in-Progress | 2,735,217 | 3,550,913 |
| | <u>\$ 128,414,747</u> | <u>124,162,070</u> |

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 \$6,087,499 in bonds, leases, notes, retirement liabilities, and compensated absences outstanding - a decrease of \$5,506,075 over last year which included a \$4,682,190 decrease in the New York State pension liability per the GASB 68 calculation. This decrease was offset by changes in deferred outflow and deferred inflows of resources. 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 \$28,930,744. Standard and Poor's Global Rating service has kept the rating for the Franklin County, New York General Obligation Bonds at "BBB+" and kept the outlook at "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 | |
|---------------------------------------|-------------------------|------------------------|
| | 2018 Total | Restated 2017 Total |
| Serial Bonds - 2009 | \$ 665,000 | 1,310,000 |
| Leases Payable | 1,923,330 | 2,150,150 |
| Compensated Absences | 993,720 | 945,784 |
| New York State net Pension Liability | 2,505,449 | 7,187,639 |
| Post Employment Benefit Obligation | 28,930,744 | 27,355,200 |
| Total | 35,018,243 | 38,948,773 |
| Due within one year | 1,002,761 | 2,898,204 |
| Due in more than one year | <u>\$ 34,015,482</u> | <u>36,050,569</u> |

ECONOMIC FACTORS AND SUBSEQUENT BUDGET

Franklin County, with a population of 50,293 according to the Federal Census Bureau, is in northern New York State along the Canadian border. It is also bordered by Clinton County to the east, St. Lawrence County to the west and Essex and Hamilton Counties to the south. The County's economy relies on the various government facilities and other facilities for employment. Additional leading employers are Sunmount Hospital, Mohawk Casino, NYS Correctional Facilities and the six school districts.

In 2018, the County's 5.2% average unemployment rate exceeded the State's 4.1% average and the nation's 3.9% average. The nation's economy had shown signs of improvement as levels peaked at 4.5% early in the year then settled at 3.7% at year end. The State's unemployment rate ranged between 5.1% and 3.5% while the County's unemployment rate peaked 7.2% in February but drifted to 3.8% in October and ended the year at 4.9%.

The 2019 adopted budget will reflect a 3.4% increase in the County tax levy. The 2019 tax rate is established at \$4.61 per thousand, which is a slight increase over the 2018 tax rate of \$4.56 per thousand. The 2019 adopted budget shows total appropriations of \$105,711,362 and total revenue of \$87,433,637. Total county full value per the assessment roll is \$3.715 billion.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

FINANCIAL SECTION

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**COUNTY OF FRANKLIN
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018**

| | <u>Primary Government Governmental Activities</u> | <u>Component Units</u> |
|--|---|----------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 3,587,560 | 632,015 |
| Cash and Cash Equivalents, Restricted | 2,744,991 | 10,119,514 |
| Taxes Receivable, Net | 23,347,520 | - |
| Other Receivables, Net | 452,845 | 1,253,740 |
| State and Federal Receivables | 14,203,911 | - |
| Prepaid Expenses | 9,182 | - |
| Due from Other Governments | 544,977 | - |
| Inventory | 376,771 | - |
| Other Assets | - | 197,526 |
| Capital Assets: | | |
| Land and Construction in Progress | 3,172,233 | 2,219,773 |
| Capital Assets, Net of Depreciation | 47,360,097 | 15,871,002 |
| Capitalized Preoperational and Financing Costs, Net | - | 1,379,252 |
| Total Assets | 95,800,087 | 33,339,531 |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred Outflows on ERS Pension | 8,833,332 | 615,273 |
| OPEB | 2,376,801 | - |
| Total Deferred Outflows of Resources | 11,210,133 | 615,273 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>107,010,220</u> | <u>33,954,804</u> |
| LIABILITIES | | |
| Accounts Payable | 2,742,677 | 1,665,869 |
| Accrued Liabilities | 1,493,066 | 122,944 |
| Bond Anticipation Note Payable | 270,000 | |
| Other Liabilities | 393,080 | 5,918,441 |
| Due to Other Governments | 10,723,590 | - |
| Long-Term Liabilities | | |
| Due and Payable Within One Year | 1,002,761 | 1,087,968 |
| Due and Payable After One Year | 34,015,482 | 22,634,218 |
| Total Liabilities | 50,640,656 | 31,429,440 |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred Inflows on ERS Pension | 9,168,767 | 603,645 |
| Unavailable Grants | 320,395 | - |
| Other Unavailable Revenue | 45,858 | - |
| Unavailable Revenue - Community Development Loans | 123,878 | - |
| Total Deferred Inflow of Resources | 9,658,898 | 603,645 |
| NET POSITION | | |
| Net Investment in Capital Assets | 47,944,000 | 1,020,874 |
| Restricted for: | | |
| Retirement | 848,065 | - |
| Unemployment Insurance | 522,585 | - |
| Tax Stabilization | 275 | - |
| Capital Reserve (Mortgage Tax) | 509,835 | - |
| Repairs | 462,440 | - |
| District Attorney | 25,793 | - |
| Other | 1,264,332 | - |
| Unrestricted (Deficit) | (4,866,659) | 900,845 |
| Total Net Position | \$ <u>46,710,666</u> | <u>1,921,719</u> |

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

**COUNTY OF FRANKLIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Functions/Programs Primary Government: | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | |
|---|------------------|-------------------------|--|--|---|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Component Units |
| Governmental Activities: | | | | | | |
| General Government Support | \$ 10,589,050 | 8,603,960 | 849,493 | - | (1,135,597) | (1,135,597) |
| Education | 3,876,980 | - | 982,915 | - | (2,894,065) | (2,894,065) |
| Public Safety | 11,042,154 | 125,275 | 1,144,215 | - | (9,772,664) | (9,772,664) |
| Health | 9,688,019 | 1,696,436 | 5,838,944 | - | (2,152,639) | (2,152,639) |
| Transportation | 10,054,418 | 612,130 | - | 4,307,715 | (5,134,573) | (5,134,573) |
| Economic Assistance and Opportunity | 38,316,142 | 1,760,725 | 18,999,987 | - | (17,555,430) | (17,555,430) |
| Culture and Recreation | 146,399 | - | - | - | (146,399) | (146,399) |
| Home and Community Services | 509,007 | - | - | - | (509,007) | (509,007) |
| Loss on Disposal of Equipment | 810 | - | - | - | (810) | (810) |
| Debt Service Interest | 103,843 | - | - | - | (103,843) | (103,843) |
| Total Governmental Activities | 84,326,821 | 12,798,526 | 27,815,554 | 4,307,715 | (39,405,026) | (39,405,026) |
| Total Primary Government | 84,326,821 | 12,798,526 | 27,815,554 | 4,307,715 | (39,405,026) | (39,405,026) |
| Component Units: | | | | | | |
| IDA (FYE 12/31/18) | 2,846,266 | 2,515,055 | 25,000 | - | | (306,211) |
| CDC (FYE 12/31/2018) | 2,788 | - | - | - | | (2,788) |
| Landfill Operations (FYE 6/30/18) | 12,870,744 | 13,152,190 | - | - | | 281,446 |
| Water District Operations (FYE 12/31/18) | 5,973 | - | - | - | | (5,973) |
| Total Component Units | 15,725,771 | 15,667,245 | 25,000 | - | | (33,526) |
| | \$ | | | | | |
| General Revenues (Expenses): | | | | | | |
| Taxes: | | | | | | |
| Property Taxes, Levied for General Purposes | | | | | 18,812,972 | - |
| Nonproperty Tax Items, for General Purposes | | | | | 24,471,126 | - |
| Water District Tax Revenues | | | | | - | 20,000 |
| Restricted Investment Earnings | | | | | 16,174 | 131,563 |
| Total General Revenues | | | | | 43,300,272 | 151,563 |
| Change in Net Position | | | | | 3,895,246 | 118,037 |
| Net Position-Beginning of the Year | | | | | 38,909,562 | 1,803,682 |
| Prior Period Adjustment | | | | | 3,905,858 | - |
| Net Position-End of the Year | | | | | 46,710,666 | 1,921,719 |
| | \$ | | | | | |

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

**COUNTY OF FRANKLIN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018**

EXHIBIT C

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,754,038 | 376,931 | 2,130,969 |
| Cash and Cash Equivalents- Restricted | 1,880,760 | 864,231 | 2,744,991 |
| Taxes Receivable, Net | 23,347,520 | - | 23,347,520 |
| Other Receivables, Net | 392,571 | 59,401 | 451,972 |
| State and Federal Receivables | 11,248,126 | 2,955,785 | 14,203,911 |
| Prepaid Expenses | 643,270 | 9,182 | 652,452 |
| Due from Other Governments | 536,298 | 8,679 | 544,977 |
| Due from Other Funds | 3,176,000 | 2,295,270 | 5,471,270 |
| Inventory | 19,385 | 357,386 | 376,771 |
| Total Assets | <u>42,997,968</u> | <u>6,926,865</u> | <u>49,924,833</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts Payable | 2,400,219 | 342,458 | 2,742,677 |
| Accrued Liabilities | 1,434,596 | 54,591 | 1,489,187 |
| Bond Anticipation Note Payable | - | 270,000 | 270,000 |
| Other Liabilities | 393,080 | - | 393,080 |
| Unearned Revenues | 18,365,676 | - | 18,365,676 |
| Due to Other Funds | 2,272,798 | 3,198,472 | 5,471,270 |
| Due to Other Governments | 10,721,983 | 1,607 | 10,723,590 |
| Total Liabilities | <u>35,588,352</u> | <u>3,867,128</u> | <u>39,455,480</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unavailable Grants | 320,395 | - | 320,395 |
| Unavailable Revenue - PILOT Payments | 45,858 | - | 45,858 |
| Unavailable Revenue - Community Development Loans | - | 123,878 | 123,878 |
| Total Deferred Inflow of Resources | <u>366,253</u> | <u>123,878</u> | <u>490,131</u> |
| Fund Balances | | | |
| Nonspendable | | | |
| Inventory | 19,385 | 357,386 | 376,771 |
| Prepays | 643,270 | 9,182 | 652,452 |
| Restricted For: | | | |
| Retirement | 848,065 | - | 848,065 |
| Unemployment Insurance | 522,585 | - | 522,585 |
| Tax Stabilization | 275 | - | 275 |
| Capital Reserve (Mortgage Tax) | 509,835 | - | 509,835 |
| District Attorney | 25,793 | - | 25,793 |
| Repairs | - | 462,440 | 462,440 |
| Other | - | 864,332 | 864,332 |
| Assigned To: | | | |
| Assigned Appropriated | 115,678 | 10 | 115,688 |
| Assigned Unappropriated | 1,000,000 | 1,654,219 | 2,654,219 |
| Unassigned | <u>3,358,477</u> | <u>(411,710)</u> | <u>2,946,767</u> |
| Total Fund Balances | <u>7,043,363</u> | <u>2,935,859</u> | <u>9,979,222</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | <u>\$ 42,997,968</u> | <u>6,926,865</u> | <u>49,924,833</u> |
| 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. | | | 50,532,330 |
| Internal service funds are used by management 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 | | | 1,457,464 |
| Adjustment for GASB Statement No. 68, New York State retirement. | | | (3,484,154) |
| Recording of Long-Term Capital Lease | | | (1,923,330) |
| Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds. | | | 18,365,676 |
| 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. | | | (3,879) |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | (28,212,663) |
| Net Position of Governmental Activities | | | <u>\$ 46,710,666</u> |

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, 2018

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Real Property Taxes | \$ 16,213,668 | - | 16,213,668 |
| Real Property Tax Items | 1,920,790 | - | 1,920,790 |
| Non-Property Tax Items | 24,471,126 | - | 24,471,126 |
| Departmental Income | 11,881,794 | 27,713 | 11,909,507 |
| Intergovernmental Charges | 7,024,787 | - | 7,024,787 |
| Use of Money and Property | 487,845 | 1,231 | 489,076 |
| Fines and Forfeitures | 227,097 | - | 227,097 |
| Sale of Property and Compensation for Loss | 771,927 | 34,140 | 806,067 |
| Miscellaneous Local Sources | 4,759,929 | 13,641 | 4,773,570 |
| Interfund Revenues | 391,376 | 368,295 | 759,671 |
| State Aid | 18,432,664 | 3,912,451 | 22,345,115 |
| Federal Aid | 8,514,840 | 1,263,314 | 9,778,154 |
| Total Revenues | <u>95,097,843</u> | <u>5,620,785</u> | <u>100,718,628</u> |
| EXPENDITURES | | | |
| General Government Support | 10,133,916 | - | 10,133,916 |
| Education | 3,882,761 | - | 3,882,761 |
| Public Safety | 11,043,148 | 135,287 | 11,178,435 |
| Health | 9,683,114 | - | 9,683,114 |
| Transportation | 1,510,455 | 8,810,140 | 10,320,595 |
| Economic Assistance and Opportunity | 37,792,537 | 481,804 | 38,274,341 |
| Culture and Recreation | 146,617 | - | 146,617 |
| Home and Community Services | 7,111,008 | - | 7,111,008 |
| Employee Benefits | 7,339,819 | - | 7,339,819 |
| Debt Service (Principal and Interest) | - | 979,291 | 979,291 |
| Total Expenditures | <u>88,643,375</u> | <u>10,406,522</u> | <u>99,049,897</u> |
| Excess of Revenues Over (Under) Expenditures | <u>6,454,468</u> | <u>(4,785,737)</u> | <u>1,668,731</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from Other Funds | - | 4,898,687 | 4,898,687 |
| Transfers to Other Funds | (4,859,743) | (38,944) | (4,898,687) |
| Net Other Financing Sources (Uses) | <u>(4,859,743)</u> | <u>4,859,743</u> | <u>-</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 1,594,725 | 74,006 | 1,668,731 |
| Fund Balances, Beginning of the Year | 5,448,638 | 2,861,853 | 8,310,491 |
| Fund Balances, End of the Year | <u>\$ 7,043,363</u> | <u>2,935,859</u> | <u>9,979,222</u> |

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, 2018**

| | | |
|---|-----------|------------------|
| Total Net Change in Fund Balances-Governmental Funds | \$ | 1,668,731 |
|---|-----------|------------------|

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 \$4,526,298 did not exceed depreciation of \$4,897,630 in the current year. Also includes loss on sale of equipment of \$810. | | (372,142) |
|--|--|-----------|

| | | |
|--|--|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 645,000 |
|--|--|---------|

| | | |
|---|--|---------|
| Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 226,820 |
|---|--|---------|

| | | |
|--|--|---------|
| 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. | | 678,514 |
|--|--|---------|

| | | |
|--|--|----------|
| 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, 2018, payments made to the New York State Employees' Retirement System for early retirement incentive payment exceeded amounts earned. Payments did not exceed the estimated liability for compensated absences by \$47,936. | | (47,936) |
|--|--|----------|

| | | |
|--|--|--------|
| Adjustment for GASB Statement No. 68, New York State retirement. | | 69,303 |
|--|--|--------|

| | | |
|--|--|-------|
| 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. | | 3,628 |
|--|--|-------|

| | | |
|--|--|---------|
| Estimated Net Other Post Employment Benefit Obligation for 2018. | | 801,257 |
|--|--|---------|

| | | |
|--|--|---------|
| An internal service fund is used by the County's management to charge the costs of workers' compensation to the individual funds. The net revenue of the internal service fund is reported with governmental activities. | | 222,071 |
|--|--|---------|

| | | |
|--|-----------|-------------------------|
| Change in Net Position of Governmental Activities | \$ | <u>3,895,246</u> |
|--|-----------|-------------------------|

**COUNTY OF FRANKLIN
STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF DECEMBER 31, 2018**

| | <u>Internal Service Fund</u> |
|--------------------------------------|---|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 1,456,591 |
| Other Receivables, Net | 873 |
| Total Current Assets | <u>1,457,464</u> |
| Total Assets | <u>1,457,464</u> |
| NET POSITION | |
| Restricted for Workers' Compensation | 400,000 |
| Assigned Fund Balance | <u>1,057,464</u> |
| Total Net Position | <u><u>\$ 1,457,464</u></u> |

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

**COUNTY OF FRANKLIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | <u>Internal Service Fund</u> |
|--|---|
| OPERATING REVENUES | |
| Miscellaneous Income | \$ 31,515 |
| Intergovernmental Charges | <u>1,298,035</u> |
| Total Operating Revenues | <u>1,329,550</u> |
| OPERATING EXPENSES | |
| General Governmental Support | 1,105,346 |
| Employee Benefits | <u>2,339</u> |
| Total Operating Expenses | <u>1,107,685</u> |
| Income (Loss) from Operations | <u>221,865</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Income on Investment | <u>206</u> |
| Net Nonoperating Revenues (Expenses) | <u>206</u> |
| Change in Net Position | 222,071 |
| Total Net Position-Beginning of the Year | <u>1,235,393</u> |
| Total Net Position-End of the Year | <u><u>\$ 1,457,464</u></u> |

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

**COUNTY OF FRANKLIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

| | <u>Internal Service Fund</u> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Received From Assessments Made to Other Funds | \$ 1,329,548 |
| Payments to Employees | (2,339) |
| Payments for Workers' Compensation Claims | <u>(1,105,346)</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>221,863</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest Received | <u>206</u> |
| Net Cash Provided By (Used In) Investing Activities | <u>206</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 222,069 |
| Cash and Cash Equivalents-Beginning of the Year | <u>1,234,522</u> |
| Cash and Cash Equivalents-End of the Year | <u><u>\$ 1,456,591</u></u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net Income (Loss) From Operations | \$ 221,865 |
| (Increase) Decrease in Accounts Receivable | <u>(2)</u> |
| Net Cash Provided by (Used In) Operating Activities | <u><u>\$ 221,863</u></u> |

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

**COUNTY OF FRANKLIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2018**

| | Private- Purpose Trusts | Agency |
|----------------------------------|--|---------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 6,334 | 1,358,780 |
| Other Assets | - | - |
| | <hr/> | <hr/> |
| Total Assets | 6,334 | 1,358,780 |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| Other Liabilities | - | 1,358,780 |
| | <hr/> | <hr/> |
| Total Liabilities | - | 1,358,780 |
| | <hr/> | <hr/> |
| NET POSITION | | |
| Held In Trust For Other Purposes | \$ 6,334 | - |
| | <hr/> | <hr/> |

**COUNTY OF FRANKLIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Private- Purpose Trusts |
|------------------------------------|--|
| ADDITIONS | |
| Miscellaneous Local Sources | \$ 40,051 |
| DEDUCTIONS | |
| Home and Community Services | 36,117 |
| | <hr/> |
| Change in Net Position | 3,934 |
| Net Position-Beginning of the Year | 2,400 |
| | <hr/> |
| Net Position-End of the Year | \$ 6,334 |
| | <hr/> |

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

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**COUNTY OF FRANKLIN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

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

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

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

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

1. Included in the Reporting Entity:

a. Soil and Water Conservation District

The Franklin County Legislature has declared the County to be a Soil and Water Conservation District in accordance with provisions of the Soil and Water

Conservation District Law. Significant factors requiring inclusion of the Soil and Water Conservation District in the County of Franklin's reporting entity are as follows:

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

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

b. County of Franklin Industrial Development Agency

The County of Franklin Industrial Development Agency is a public benefit corporation that was created in 1970 by the Franklin County Board of Legislators under the provisions of Chapter 18A of the General Municipal Law to encourage economic growth and prosperity in Franklin County, New York. The Agency is exempt from federal, state, and local taxes. The Agency, although established by Franklin County, New York, is a separate entity and operates independently of Franklin County. The board of the Agency is comprised of seven members appointed by the legislature of Franklin County, New York. The members have complete responsibility for management of the Agency and accountability for its fiscal matters. The Agency is financially accountable to the County and has been identified as a component unit of the County of Franklin. In accordance with the criteria enumerated in Governmental Accounting Standards Board Statement No. 61, the Agency's financial statements are discretely presented in the County of Franklin's financial statements.

c. Franklin County Civic Development Corporation

The Corporation was created on June 23, 2010 by the Franklin County Board of Legislators under Section 402 and Section 1411 of the Not-For-Profit Corporation Law for the purpose of encouraging economic growth in Franklin County, New York. The Corporation is exempt from federal, state and local income taxes. The Corporation, although established by the Franklin County Board of Legislators, is a separate entity and operated independently of Franklin County. The Franklin County Civic Development Corporation is considered a component unit of the County of Franklin and is discretely presented. The Board is comprised of seven members appointed by the legislature of Franklin County. The Corporation is financially accountable to the County and has been identified as a component unit of the County of Franklin, New York. In accordance with the criteria enumerated in Governmental Accounting Standards Board Statement No. 61, the

Corporation's financial statements are discretely presented in the County of Franklin's financial statements.

d. County of Franklin Solid Waste Management Authority

The County of Franklin Solid Waste Management Authority was created as a public benefit corporation under New York State Public Authorities Law Sec. 2041, Title 13-AA, Chapter 665 of the Laws of 1988 by the New York State Legislature, with powers to, among other things:

- i. plan, develop, and construct solid waste management facilities;
- ii. acquire interest in real and personal property and dispose of them;
- iii. receive, transport, process, dispose of, sell, store, convey, recycle, and deal with solid waste and energy generated by operation of a solid waste management facility;
- iv. contract with governments, including the County of Franklin and local governments within the County, in relation to its activities;
- v. borrow money and issue bonds; and
- vi. fix and collect rates, rentals, fees, and other charges for the use of the facilities of, or services rendered by, or any commodities furnished by, the Authority.

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

The Authority has constructed a solid waste management system (SWMS), which includes a regional landfill and three transfer stations in Franklin County (Malone, Lake Clear, and Tupper Lake). The SWMS began operations on June 6, 1994.

e. Rainbow Lake Water Protection District

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

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

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

2. Other Organizations Not Included in Reporting Entity

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

B. BASIS OF PRESENTATION

1. Government-Wide Statements

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

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

2. Fund Accounting

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

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

Fund Categories

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

General Fund (Major Fund)

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

Special Revenue Funds (Nonmajor Funds)

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

- i. County Roads Fund - is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.
- ii. Road Machinery Fund - is used to account for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of the Highway Law.
- iii. Community Development Block Grant Fund – is used to account for Community Block Grant funds received from the Department of Housing and Urban Development.
- 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. Internal Service Fund - is used to account for the workers' compensation benefits program. This is a proprietary fund reported with governmental activities in the government-wide statements.

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

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

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

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

- d. **Discrete Presentation**

Franklin County Industrial Development Agency

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

Franklin County Civic Development Corporation

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

County of Franklin Solid Waste Management Authority

The Solid Waste Management Authority's financial statements are prepared using the accrual basis in accordance with generally accepted accounting principles for public authorities. The Authority's financial statements for the year ended June 30, 2018, are presented in a separate column in the combined financial statements and accounted for as a proprietary fund type.

Rainbow Lake Water Protection District

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

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

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

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

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

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

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

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

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

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

Allocation of Indirect Expenses

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

Component Units

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

D. BUDGETARY DATA

1. Budget Policies

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

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

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

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

2. Encumbrances

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

There were no significant encumbrances included in the reporting of fund balance at December 31, 2018.

3. Budget Basis of Accounting

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

E. ESTIMATES

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

F. ASSETS, LIABILITIES AND FUND EQUITY

1. Cash and Cash Equivalents

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

2. Investments

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

The County of Franklin Solid Waste Management Authority's investments are presented at cost which approximates the current market value or the value at the date management anticipates liquidating the investment. Restricted investments

consist of marketable equity securities held by the bond trustee. These investments will be liquidated and expended for the construction and acquisition of capital assets, bond interest and principal payments, and environmental and closure costs in accordance with the bond trust indentures.

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

The Franklin County Solid Waste Management Authority is required by local law to collateralize any of its cash deposits which are in excess of the Federal Deposit Insurance Corporation limit. The balances at June 30, 2018 were properly covered by FDIC insurance, collateral, or invested in U.S. Treasury backed securities.

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

3. Receivables

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

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

Bad debts are recognized by the Franklin County Industrial Development Agency in the year in which they are determined uncollectible. The Agency did not write off any receivables during the year ended December 31, 2018.

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.

6. Capital Assets

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

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

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

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

Property, plant, and equipment of the Franklin County Industrial Development Agency are recorded at cost if purchased or constructed; or at fair market value on the date of gift, if donated. Depreciation is recognized on the straight-line bases over the estimated useful life of the assets. 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.

The Rainbow Lake Water Protection District capitalizes all property to which it hold title or has other evidence of ownership. Property acquired by the District is recorded at cost.

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 for the County of Franklin Solid Waste Management Authority is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on the straight-line basis, except for the landfill cell, which is depreciated based on capacity used. The estimated lives used in determining depreciation for property, plant and equipment (other than the landfill cell) vary from five to twenty years.

7. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualifies for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the County's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the County's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item related to grant funds, loans, or other payments received in advance of the County meeting the requirements of the grant, loan, or other payment. These funds are not qualified to be currently recognized as revenue under the revenue recognition rules so the County is showing them as deferred inflows of resources.

8. Unearned Revenue

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

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

9. Environmental and Closure Accruals

State and federal laws and regulations require that the County of Franklin Solid Waste Management Authority place a final cover on its landfill site when it stops accepting waste and to and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The Authority maintains a reserve for closure of the regional landfill as established in the 1993 Series Bond Agreement. The balance in the reserve totaled \$3,901,351 at June 30, 2018. These funds are reported herein as restricted cash equivalents and investments. The Authority meets its closure obligations through the financial assurance test and these reserve funds.

The Authority's policy regarding closure and monitoring costs for its landfills is to accrue these costs and charge them to expense over the useful operating life of each landfill. Management believes this policy accurately matches closure and monitoring costs against revenues generated by each landfill. The accrual is based on the percentage of total landfill capacity used as of the end of each year, multiplied by the total estimated closure and monitoring costs. These estimates are generated by management, with assistance from an independent consulting and engineering firm.

10. Fair Value of Financial Instruments

For the Franklin County Solid Waste Management Authority and the County of Franklin Industrial Development Agency, the carrying values of cash and cash equivalents, investments, accounts receivable, accrued interest, accounts payable and current portion of long-term debt and bonds payable approximate fair market value because of the short maturity of those instruments. The carrying values of the Authority's and the Agency's long-term debt and bonds payable approximate market value, as terms of the debt reflect current market rates and terms.

11. Long-Term Obligations

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

12. Fund Balance

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

a. Non-Spendable:

The non-spendable fund balances include amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the General Fund and County Road Fund as well as the 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.

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. \$1,000,000 has been designated in the General Fund as the amount estimated to be appropriated to reduce taxes for the subsequent year.

e. Unassigned:

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

Order and Use of Fund Balance:

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

13. Net Position

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

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

G. REVENUES AND EXPENDITURES

1. Real Property Taxes

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

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

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

2. Revolving Funds: Industrial Development Agency

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

3. Industrial Revenue Bond and Note Transactions

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

4. Insurance

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

5. Vacation and Sick Leave and Compensatory Absences

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

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

Payment of vacation and sick leave recorded as long-term debt is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payments become due. The liability for compensated absences is disclosed in Note IV(B)(4)(a).

6. Post-Retirement Benefits

In addition to providing pension benefits, the County of Franklin provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. In 2018 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 64 retirees participating in the County Plan and 132 in the

supplemental plan as of December 31, 2018. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. This statement establishes standards for the measurement, recognition, and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local government employers. The provisions of this Statement are effective for the County for periods beginning after June 15, 2017. The implementation of this new standard necessitated that the County restate its net position at December 31, 2017. This restatement resulting in an increase to the County's net position of \$3,905,858.

7. Brownfield Grant

The Industrial Development Agency has received a total of \$253,808 from New York State Department of Environmental Conservation regarding its Brownfield Study at the Bombay facility. 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.

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

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

9. Tax Status

The Rainbow Lake Water Protection District and the County of Franklin Industrial Development Agency are component units of the Franklin County government under New York County Law Section 264(A). As such, they are not taxable units.

H. New Accounting Standards

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

GASB Statement No. 85 – “Omnibus 2017.” This statement, issued in March, 2017, attempts to address a wide range of accounting challenges that state and local government financial statement preparers have encountered while implementing and applying a variety of GASB statements.

GASB Statement No. 86 – “Certain Debt Extinguishment Issues.” This statement, issued in May, 2017, attempts to improve consistency in accounting and financial

reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement attempts to improve accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

I. Accounting Standards Issued But Not Yet Implemented

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

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

GASB Statement No. 87 – “Leases.” This statement, issued in June, 2017, attempts to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the County.

GASB Statement No. 88 – “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement.” This statement, issued in April, 2018, attempts to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the County.

GASB Statement No. 89 – “Accounting for Interest Cost Incurred Before the End of a Construction Period.” This statement, issued in June, 2018, attempts to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest costs incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the County.

GASB Statement No. 90 – “Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.” This statement, issued in August, 2018, attempts to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of

financials statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the County.

GASB Statement No. 91 – “Conduit Debt Obligations.” This statement, issued in May, 2019, provides for a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning December 31, 2021 for the County.

J. PAYMENT IN LIEU OF TAXES (PILOT)

The Industrial Development Agency enters into and administers PILOT agreements for various unrelated business entities located in Franklin County. Under the terms of the PILOT agreements, title to property owned by the unrelated business entity is transferred to the Agency for a certain period of time. The assisted business typically agrees to make PILOTS, which generally are significantly less than the real property taxes which are abated. As part of the program, the Agency generates fees for administering the PILOT agreement. These fees are reported as charges for services in the statement of revenues, expenses, and changes in net position. For the year ended December 31, 2016, the Agency entered into an agreement with EDP Renewals for the Jericho Rise Wind Farm, an approximately \$156 million project in the towns of Chateaugay and Bellmont, for which the Agency receives a fee of 1% of the project costs over the next five years. In 2018, the Agency received the third year installment of \$312,000. The IDA Board agreed to a PILOT in the amount of \$4,000/megawatt and a Host Community Agreement of \$5,000/megawatt for a total of \$9,000/megawatt each year for a period of 30 years. An annual escalator was agreed to which is not to be lower than 0% nor higher than 2% that will start in year 6. Further, the IDA Board consented to allocating the Economic Development Reserve Fund (\$1,000/megawatt per year to be paid over the course of 5 years) to be used by Franklin County for its economic development programs.

K. FRANKLIN COUNTY LOCAL DEVELOPMENT CORPORATION

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

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

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

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

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

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

| | |
|---------------------------------|----------------------|
| Original Cost of Capital Assets | \$ 128,414,747 |
| Accumulated Depreciation | <u>(77,882,417)</u> |
| | <u>\$ 50,532,330</u> |

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 | <u>\$ 18,365,676</u> |
|------------------------------------|----------------------|

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 | \$ 665,000 | - | 665,000 |
| Leases Payable | 238,389 | 1,684,941 | 1,923,330 |
| Compensated Absences | 99,372 | 894,348 | 993,720 |
| New York State net Pension Liability | - | 2,505,449 | 2,505,449 |
| Post Employment Benefit Obligations | - | 28,930,744 | 28,930,744 |
| | <u>\$ 1,002,761</u> | <u>34,015,482</u> | <u>35,018,243</u> |

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 | \$ 3,176,000 | 2,272,798 |
| Special Revenue Fund | 1,647,472 | - |
| Capital Project Fund | 647,798 | 3,198,472 |
| | <u>\$ 5,471,270</u> | <u>5,471,270</u> |

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, 2018 is as follows:

| | |
|------------------|-----------------|
| Accrued Interest | <u>\$ 3,879</u> |
|------------------|-----------------|

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 | \$ 100,718,628 |
| 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. | 678,514 |
| Net revenues of certain internal service funds are reported with governmental activities on the Statement of Activities, net of intercompany charges. | 31,721 |
| Elimination of certain inter-County departmental revenue | (6,644,844) |
| Elimination of interfund revenue from governmental funds: | |
| Intergovernmental Charges - SWMA | (6,561,952) |
| Interfund transfers In | 4,898,687 |
| Interfund transfers Out | (4,898,687) |
| Total revenues and other funding sources of governmental activities in the Statement of Activities | <u>\$ 88,222,067</u> |

Total Expenditures Reported in Governmental Funds

| | |
|--|----------------------|
| Total expenditures reported in governmental funds | \$ 99,049,897 |
| 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 exceeded payments by \$47,936. | 47,936 |
| 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 \$4,897,630 and loss on disposal of equipment of \$810 exceeded capital expenditures of \$4,526,298 in the current year. | 372,142 |
| Repayment of bond principal debt and long term lease are expenditures in the governmental funds, but they reduce long term liabilities in the Statement of Net Position and do not affect the Statement of Activities | (645,000) |
| Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | (226,820) |
| Certain inter-County departmental expenditures are eliminated on the Statement of Activities | (6,644,844) |
| Net operating expenses of certain internal service funds are reported with governmental activities on the Statement of Net Position, less corresponding intercompany charges. | (190,350) |
| Home and Community Services -SWMA advances which are offset by intergovernmental charges | (6,561,952) |
| GASB 68 Adjustment to New York State retirement for the change in pension liability from December 31, 2017 to December 31, 2018. | (69,303) |
| GASB 75 Adjustment to for the change in other post-employment benefits liability from December 31, 2017 (as restated) to December 31, 2018. | (801,257) |
| 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. | (3,628) |
| Total expenses of governmental activities | <u>\$ 84,326,821</u> |

NOTE III - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. DEFICIT FUND BALANCE

1. Capital Projects

The Capital Projects Fund has a \$411,710 negative unassigned fund balance. This negative unassigned fund balance is a result of expenditures and other uses exceeding revenue and other sources in the Capital Project Fund.

NOTE IV - DETAIL NOTES ON ALL FUNDS AND COMPONENT UNITS

A. ASSETS

1. Cash, Restricted Cash and Investments

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

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

a. Cash and Deposits

The County's policies regarding deposits of cash are discussed above. The table presented below is designed to disclose the level of custody credit risk assumed by the County based upon how its deposits were insured or secured with collateral at December 31, 2018. 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 | Custody Credit Risk Category | | | | Total Carrying Value |
|-----------------|------------------------------|------------------|------------------|----------|----------------------|
| | Total Bank Balance | 1 | 2 | 3 | |
| Demand Deposits | \$ 2,525,340 | 743,731 | 1,781,609 | - | 3,896,281 |
| Time Deposits | 8,671,808 | 1,144,311 | 7,527,497 | - | 3,796,728 |
| Cash on Hand | - | - | - | - | 4,656 |
| Total Deposits | <u>\$ 11,197,148</u> | <u>1,888,042</u> | <u>9,309,106</u> | <u>-</u> | <u>7,697,665</u> |

Reconciliation to the Statement of Net Assets and Fiduciary Fund:

| | |
|--|---------------------|
| Unrestricted Cash, including Time Deposits - Governmental Activity | \$ 3,587,560 |
| Restricted Cash, including Time Deposits | 2,744,991 |
| Fiduciary Fund Cash, including Time Deposits | 1,365,114 |
| | <u>\$ 7,697,665</u> |

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, 2018:

| | |
|---------------------------|---------------|
| Cash and Cash Equivalents | \$ 10,119,514 |
|---------------------------|---------------|

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

2. Taxes Receivable

At December 31, 2018, real property tax assets of \$23,520,292 are reported net of the allowance for uncollectible taxes in the amount of \$172,772. Current-year returned village and school taxes of approximately \$4,880,994 are offset by liabilities to the villages and school districts, which will be paid no later than April 1, 2019. The remaining portion of tax assets, \$18,466,526 is offset by deferred tax revenue of \$18,365,676, 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, 2018, 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 | \$ 91,225 |
| Other Department Receivables | 596,164 |
| Prescription Drug Rebates | 120,182 |
| Allowance for Uncollectible | (415,000) |

Special Revenue Funds

| | |
|----------------------|--------|
| CDBG Note Receivable | 44,756 |
| Road Machinery | 5,252 |
| Soil and Water | 3,865 |
| County Road | 5,528 |

Internal Service Fund

| | |
|-------------------------------|-------------------|
| Assessments | 873 |
| Total Governmental Activities | <u>\$ 452,845</u> |

IDA (Component Unit)

| | |
|---------------------|----------|
| Accounts and Grants | \$ 8,000 |
| Fees | 624,000 |

SWMA (Component Unit)

| | |
|--------------------------------|---------------------|
| Accounts and Grants Receivable | 621,740 |
| Total Component Units | <u>\$ 1,253,740</u> |

4. Changes in Capital Assets**a. Capital Assets**

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--------------------------|----------------------|------------------|--------------------|-------------------|
| <u>Non-depreciable</u> | | | | |
| Land | \$ 437,016 | - | - | 437,016 |
| Construction in Progress | 3,550,913 | 2,473,030 | (3,288,726) | 2,735,217 |
| <u>Depreciable</u> | | | | |
| Buildings | 29,593,732 | 9,954 | - | 29,603,686 |
| Equipment | 15,009,630 | 648,976 | (64,509) | 15,594,097 |
| Roads | 39,593,968 | 2,817,449 | - | 42,411,417 |
| Bridges | 35,976,811 | 1,865,615 | (209,112) | 37,633,314 |
| Subtotal | 124,162,070 | 7,815,024 | (3,562,347) | 128,414,747 |
| Accumulated Depreciation | (73,257,598) | (4,897,630) | 272,811 | (77,882,417) |
| Total | <u>\$ 50,904,472</u> | <u>2,917,394</u> | <u>(3,289,536)</u> | <u>50,532,330</u> |

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 \$4,897,630 was charged to the following functions on the Statement of Activities:

| | |
|-------------------------------------|---------------------|
| General Support | \$ 784,369 |
| Public Safety | 617,516 |
| Health | 19,321 |
| Transportation | 3,255,088 |
| Economic Assistance and Opportunity | 108,321 |
| Home and Community Service | 113,015 |
| Total | <u>\$ 4,897,630</u> |

b. Franklin County Industrial Development Agency

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|---|---------------------------|
| Governmental Activities: | | | | |
| Capital assets that are not depreciated | | | | |
| Land | \$ 154,794 | - | - | 154,794 |
| Total cost of non-depreciated assets: | 154,794 | - | - | 154,794 |
| Capital assets that are depreciated | | | | |
| Buildings and improvements | 1,285,948 | 10,919 | - | 1,296,867 |
| Furniture & equipment | 34,808 | 5,930 | - | 40,738 |
| Total cost of depreciable assets | 1,320,756 | 16,849 | - | 1,337,605 |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | (535,570) | (33,206) | - | (568,776) |
| Furniture & fixtures | (34,436) | (423) | - | (34,859) |
| Total accumulated depreciation | (570,006) | (33,629) | - | (603,635) |
| Net Capital Assets | <u>\$ 905,544</u> | <u>(16,780)</u> | <u>-</u> | <u>888,764</u> |

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, 2018 was \$33,629.

c. Solid Waste Management Authority

| | June 30, 2017 | Additions/ Deletions | June 30, 2018 |
|---|---------------|-------------------------|---------------|
| <u>Nondepreciable</u> | | | |
| Land | \$ 2,064,979 | - | 2,064,979 |
| Construction in Progress | 5,706,736 | (5,706,736) | - |
| <u>Depreciable</u> | | | |
| Land Improvements | 4,006,451 | 559,085 | 4,565,536 |
| Landfill Cell | 19,437,385 | - | 19,437,385 |
| Buildings | 3,000,658 | 5,543,720 | 8,544,378 |
| Waste Disposal Equipment, Machinery and Vehicles | 7,800,955 | 102,164 | 7,903,119 |
| Subtotal | 34,245,449 | 6,204,969 | 40,450,418 |
| Less: Accumulated Depreciation | (23,951,989) | (1,493,507) | (25,445,496) |
| Total Property, Plant and Equipment | \$ 18,065,175 | (995,274) | 17,069,901 |

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, 2018, totaled \$1,555,474.

d. Rainbow Lake Water Protection District

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

A schedule of the dam and its related accumulated depreciation as of December 31, 2018, is as follows:

| | |
|-------------------------------|------------|
| Dam | \$ 5,000 |
| Dam Improvements | 12,190 |
| Less Accumulated Depreciation | (11,830) |
| Construction in Progress | 126,750 |
| Dam, Net | \$ 132,110 |

Depreciation expense was \$610 for the year ended December 31, 2018.

Significant improvements are needed to the dam. Engineering fees of \$3,900 for the design and specifications for the improvements were paid during the 2015 fiscal year. These costs have been capitalized as construction in progress. DEC approval for the dam improvements and issuance of permits has occurred as of December 31, 2018. Construction began in the fall of 2018 and should be completed by Spring 2019, costs not to exceed \$300,000.

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

Solid Waste Management Authority

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

A summary of capitalized engineering, cell expansion, and financing costs at June 30, 2018, is as follows:

| | |
|---------------------------|---------------------|
| Premium on bonds payable | \$ (280,175) |
| Expansion increased costs | <u>1,957,005</u> |
| Total | <u>\$ 1,676,830</u> |

The footprint expansion costs are amortized over 20 years on a straight-line basis, beginning fiscal year ended June 30, 2016. Amortization expense related to the expansion costs totaled \$97,850 for the year ended June 30, 2018. Amortization associated with discounts and premiums on bonds payable was \$18,857 for the year ended June 30, 2018. The net balance as of June 30, 2018 was \$1,379,252.

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 | <u>19,254</u> |
| Total Obligations | 34,221 |
| Less: Purchase of Dam | <u>(5,000)</u> |
| Total Organization Costs | <u>\$ 29,221</u> |

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

B. LIABILITIES

1. Pension Plan

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

a) Plan Description

The County, the Authority, and the Agency participate in the New York State and Local Employees’ Retirement System (ERS) (the “System.”) This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller shall adopt and may amend the rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The County also participates in the Public Employees’ Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, can be found at www.osc.state.ny.us/retire/publications/index.php or it may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244

b) Funding Policies

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

The employer contribution rates for the ERS plan’s year ending in 2018 are as follows:

| <u>Tier / Plan</u> | <u>Rate</u> |
|--------------------|-------------|
| 4 A15 | 16.0% |
| 5 A15 | 13.1% |
| 6 A15 | 9.3% |

Prior to 2013, the Authority's contributions to the System were equal to 100% of the contributions required for each year. Beginning in 2013, the Authority elected to amortize payments with the Contribution Stabilization Program. For the years ending June 30, 2014 and 2013, the Authority elected maximum amortization of \$45,069 and \$56,767, respectively. The Comptroller of New York State annually determines the interest rate for the program. For the 2014 and 2013 ERS payments, rates of 3.67% and 3.00% respectively were set for each ten year period. For FY 18 the Authority paid the full contribution of \$167,295. The contribution for the year 2018 included payments on the 2013 and 2014 deferred amounts of \$12,071.

A summary of the SWMA's future annual minimum maturities of the amortization at June 30, 2018, is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|------------------|-----------------|---------------|
| For the year ended June 30 | | | |
| 2019 | \$ 10,090 | 1,980 | 12,070 |
| 2020 | 10,424 | 1,646 | 12,070 |
| 2021 | 10,770 | 1,300 | 12,070 |
| 2022 | 11,127 | 943 | 12,070 |
| 2023 | 11,496 | 574 | 12,070 |
| 2024 | 5,244 | 191 | 5,435 |
| | <u>\$ 59,151</u> | <u>6,634</u> | <u>65,785</u> |

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

At December 31, 2018, the County, the Authority, and the Agency reported the following liabilities for their proportionate share of the net pension liability for the ERS System. The net pension liability was measured as of March 31, 2018 for ERS. The total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation. The County's, the Authority's, and the Agency's proportion of the net pension liability were based on a projection of the County's, the Authority's, and the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the County, the Authority, and the Agency.

| | Franklin County ERS | SWMA ERS | IDA ERS |
|---|------------------------|----------------|----------------|
| Measurement date | March 31, 2018 | March 31, 2018 | March 31, 2018 |
| Net pension liability | \$ 2,785,268 | 158,024 | 5,968 |
| Authority's portion of the Plan's total | | | |
| Net pension liability | 8.6299500% | 0.4896300% | 0.0001849% |

Of the above liability of \$2,785,268, the County allocated \$279,819 to NCCC. The County's net liability was \$2,505,449.

For the year ended December 31, 2018, the County's recognized pension expense of \$2,809,139 for ERS. At December 31, 2018, the County's reported deferred outflows of resources and deferred inflows of resources related to pensions was:

| | County - ERS Deferred | |
|---|-----------------------|--------------------|
| | Outflows | Inflows |
| Differenced between expected and actual experience | \$ 993,415 | 820,921 |
| Change of assumptions | 1,846,863 | - |
| Net difference between projected and actual earnings on pension plan investment | 4,045,382 | 7,985,177 |
| Changes in proportion and differences between the County's contributions and proportionate share of contributions | 73,762 | 1,386,675 |
| Authority's contributions subsequent to the measurement date | 2,860,453 | - |
| Less: amounts allocated to NCCC | <u>(986,543)</u> | <u>(1,024,006)</u> |
| Total | <u>\$ 8,833,332</u> | <u>9,168,767</u> |

For the year ended June 30, 2018, the Solid Waste Management Authority recognized pension expense of \$159,607. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SWMA - ERS Deferred | |
|--|---------------------|----------------|
| | Outflows | Inflows |
| Differences between expected and actual experience | \$ 56,362 | 46,575 |
| Change of assumptions | 104,783 | - |
| Net difference between projected and actual earnings on pension plan investment | 229,517 | 453,044 |
| Changes in proportion and differences between the Authority's contributions and proportionate share of contributions | 22,812 | 77,869 |
| Authority's contributions subsequent to the measurement date | 154,433 | - |
| Total | <u>\$ 567,907</u> | <u>577,488</u> |

For the year ended December 31, 2018, the Industrial Development Agency recognized pension expense of \$10,498. At December 31, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | IDA - ERS Deferred | |
|--|--------------------|---------------|
| | Outflows | Inflows |
| Differences between expected and actual experience | \$ 2,129 | 1,759 |
| Change of assumptions | 3,957 | - |
| Net difference between projected and actual earnings on pension plan investment | 8,668 | 17,111 |
| Changes in proportion and differences between the Authority's contributions and proportionate share of contributions | 15,493 | 7,287 |
| Authority's contributions subsequent to the measurement date | 17,119 | - |
| Total | <u>\$ 47,366</u> | <u>26,157</u> |

The County, the Authority, and the Agency had \$2,860,453, \$154,433, and \$17,119 respectively in accrued contributions subsequent to the measurement date that are considered deferred outflows of resources. County and Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Franklin County ERS | SWMA ERS | IDA ERS |
|-------------|---------------------------|-------------|------------|
| Year Ended: | | | |
| 2019 | \$ 38,134 | 8,623 | 4,560 |
| 2020 | 34,777 | 4,199 | 4,010 |
| 2021 | (2,283,030) | (121,694) | (2,854) |
| 2022 | (1,023,232) | (55,142) | (1,626) |
| 2023 | - | - | - |
| Thereafter | - | - | - |

Actuarial assumptions – Franklin County / SWMA / IDA

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

| | ERS |
|--------------------------|-----------------------------------|
| Measurement Date | March 31, 2018 |
| Actuarial valuation date | April 1, 2017 |
| Interest rate | 7.0% |
| Salary scale | 3.8% indexed by Service |
| Projected COLA | 1.30% |
| Decrement tables | April 1, 2010 - March 31, 2015 |
| | System's experience |
| Inflation rate | 2.5% |

The annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below for Franklin County, the SWMA, and the IDA.

Measurement Date

March 31, 2018

| Asset type | Target Allocation | Long-Term Expected Rate of Return |
|----------------------------|----------------------|--|
| Domestic equity | 36% | 4.55% |
| International equity | 14% | 6.35% |
| Private equity | 10% | 7.75% |
| Real estate | 10% | 5.80% |
| Absolute return strategies | 2% | 4.00% |
| Opportunistic portfolio | 3% | 5.89% |
| Real asset | 3% | 5.54% |
| Bonds and mortgages | 17% | 1.31% |
| Cash | 1% | -0.25% |
| Inflation indexed bonds | 4% | 1.50% |
| | 100% | |

Discount rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|-----------------------|---------------------------------|-----------------------|
| Employer's proportionate share of the net pension asset (liability) - Franklin County | \$ 21,074,091 | 2,785,268 * | (12,686,344) |
| Employer's proportionate share of the net pension asset (liability) - SWMA | 1,195,651 | 158,024 | (719,767) |
| Employer's proportionate share of the net pension asset (liability) - IDA | 45,158 | 5,968 | (27,184) |

* Of the above liability of \$2,785,268, the County allocated \$279,819 to North Country Community College. The County's net liability was \$2,505,449.

Pension plan fiduciary net position:

The components of the collective net pension liability of ERS as of the March 31, 2018 measurement date were as follows:

| | |
|---|-------------------------|
| Total pension liability | \$ 183,400,590,000 |
| ERS fiduciary net position | <u>180,173,145,000</u> |
| Employers' net pension liability | <u>\$ 3,227,445,000</u> |
| ERS fiduciary net position as a percentage of total pension liability | <u>98.2%</u> |

Prepaid Expense to the pension plan

The employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2018 represent the projected employer contribution for the period of January 1, 2019 through March 31, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Prepaid retirement contributions as of December 31, 2018 amounted to \$715,113, \$87,226, and \$4,280 for the County, the Authority, and the Agency respectively.

Tiers

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

Tier 1 – Members who enrolled before July 1, 1973
Tier 2 – July 1, 1973 through July 26, 1976
Tier 3 – July 27, 1976 through August 31, 1983
Tier 4 – September 1, 1983 through December 31, 2009
Tier 5 – January 1, 2010 through March 31, 2012
Tier 6 – April 1, 2012 and after

Vesting

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

c) Benefits

Tiers 1 and 2

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

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

Tiers 3, 4 and 5

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

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than twenty years. If the member retires with between twenty and thirty years of service, the benefit is 2% of final

average salary for each year of service. If a member retires with more than thirty years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over thirty years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55, with reduced benefits. Tier 3 and 4 members age 55 or older with thirty or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages of earned in the highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

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

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

2. Unavailable Revenue

The following are unavailable revenues:

| | |
|---|-------------------|
| Community Development Loans (CDBG Fund) | \$ 123,878 |
| Mental health | 211,700 |
| E911 | 43,211 |
| Social Services Advances and Other (General Fund) | 65,484 |
| Prepaid PILOT Receipts | 45,858 |
| Total | <u>\$ 490,131</u> |

3. Short-Term Debt

The County issued a bond anticipation note (BAN) in the amount of \$270,000 on November 20, 2018. This BAN, along with any accrued interest, is payable on or before November 19, 2019. The interest rate on this BAN is 3% per annum. The proceeds of this BAN were lent to the Rainbow Lake Water Protection District to be used to make repairs on the dam. These funds are owed back to the County from the Rainbow Lake Water Protection District, and the County has recorded a receivable for the full amount.

| Balance at 1/1/2018 | Additions | Reductions | Balance at 12/31/2018 |
|--------------------------------|------------------|-------------------|----------------------------------|
| \$ - | 270,000 | - | 270,000 |

4. Long-Term Debt

The changes in the County of Franklin's long-term indebtedness during the year ended December 31, 2018 are summarized as follows:

| | Restated Balance 1/01/18 | Additions | Reductions | Balance 12/31/18 | Due Within One Year |
|---------------------------------|---|------------------|-------------------|-----------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Courthouse Serial Bonds 2009 | \$ 1,310,000 | - | 645,000 | 665,000 | 665,000 |
| Capital Leases Liability | 2,150,150 | - | 226,820 | 1,923,330 | 238,389 |
| Compensated Absences | 945,785 | 47,935 | - | 993,720 | 99,372 |
| Post Employment Benefit | 27,355,200 | 3,102,304 | 1,526,760 | 28,930,744 | - |
| Net Pension Liability | 7,187,639 | - | 4,682,190 | 2,505,449 | - |
| Total Long-Term Debt | <u>\$ 38,948,774</u> | <u>3,150,239</u> | <u>7,080,770</u> | <u>35,018,243</u> | <u>1,002,761</u> |

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. Specific years for payment of compensated absences are not determined.

i. Governmental Activities

The liability for these fringe benefits computed at current pay rates at December 31, 2018, amounts to \$993,720 and is recorded in the governmental funds.

b. Other Post-Employment Benefits

Plan Descriptions:

The County's defined benefit other post-employment benefits plan (OPEB)

provides benefits for all permanent full-time general and public safety employees of the County. The plan is a single-employer defined benefit OPEB plan administered by the County. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the County legislature. No assets are accumulated in a trust that meets the criteria in paragraph 5 of GASB Statement No. 75. The Plan does not issue financial statements and is not a trust. Eligibility for benefits is based on covered employees who retire from the County at age 55 or older and have met vesting requirements.

Benefits Provided:

The County provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents. Such postemployment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during postemployment. Nevertheless, both types of benefits constitute compensation for employee services.

Employees Covered by Benefit Terms:

At December 31, 2018, the total number of participants in the OPEB plan were comprised as follows:

| | |
|-----------------------------|------------|
| Retirees and survivors | 179 |
| Terminated vested employees | - |
| Actives | 473 |
| Total | <u>652</u> |

Total OPEB Liability:

The County's total OPEB liability of \$28,930,744 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs:

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – developed using the baseline projection of the SOA Long-Run Medical Cost Trend Model (v2019_b). The short-term (first 4 years) trend rates were based on the recent premium rate history for Franklin County. The long-term (after 4 years) trend rates were based on the following assumptions:

Rate of inflation: 2.4%
Rate of growth in real income / GDP per capita: 1.5%
Extra trend due to technology and other factors: 1.2%

Health share of GDP resistance point: 25%

Salary increases – 3.5%

Mortality – actives – The RPH-2014 mortality table for employees, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2018.

Mortality – retirees – The RPH mortality table for healthy annuitants, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2018.

Discount rate – 3.44% as of the measurement date. Source: Bond Buyer Weekly 20-Bond GO Index.

| | Total OPEB Liability |
|---|---------------------------------|
| Balance at December 31, 2017, as restated | \$ 27,355,200 |
| Changes for the year: | |
| Service cost | 1,132,959 |
| Interest | 1,047,997 |
| Changes in assumptions or other inputs | 921,348 |
| Benefit payments | <u>(1,526,760)</u> |
| Net changes | <u>1,575,544</u> |
| Balance at December 31, 2018 | <u><u>\$ 28,930,744</u></u> |

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate

The following table presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point higher or lower than the current discount rate.

| | 1% Decrease (2.44%) | Discount Rate (3.44%) | 1% Increase (4.44%) |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB liability | \$ 31,871,089 | 28,930,744 | 26,326,219 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a rate that is 1% higher or lower than the current healthcare cost trend rates:

| | Healthcare Cost | | |
|----------------------|---------------------------|--------------------------|---------------------------|
| | <u>1% Decrease</u> | <u>Trend Rate</u> | <u>1% Increase</u> |
| Total OPEB liability | \$ 26,665,382 | 28,930,744 | 31,614,552 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$2,312,577. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Changes of assumptions or other inputs | \$ 789,727 | - |
| Employer contributions subsequent to the measurement date | 1,587,074 | - |
| Total | <u>\$ 2,376,801</u> | <u>-</u> |

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Years ending December 31,</u> | <u>Amount</u> |
|---|----------------------|
| 2019 | \$ 131,621 |
| 2020 | 131,621 |
| 2021 | 131,621 |
| 2022 | 131,621 |
| 2023 and thereafter | 263,243 |

c. **Serial Bonds**

The County of Franklin, like most governmental units, borrows money in order to acquire land or equipment or to construct and improve buildings. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized by the County to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

- i. The Courthouse Public Improvement (Serial) bonds, issued in 2009 at interest rates of 2.50 percent to 3.50 percent, have a final maturity of November 1, 2019. Interest charged to the Debt Service Fund was \$45,044 for the year ended December 31, 2018. Interest on the Bonds is payable semi-annually on each May 1 and November 1 until maturity.

d. Leases Payable

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-------------------|-----------------|----------------|
| 2019 | \$ 111,385 | 5,982 | 117,367 |
| 2020 | 114,337 | 3,030 | 117,367 |
| | <u>\$ 225,722</u> | <u>9,012</u> | <u>234,734</u> |

In 2017, the County entered into a long-term lease agreement to finance the cost of placing into service several energy efficient capital improvements to County owned buildings and property as well as the acquisition of several pieces of equipment. As a result of this lease agreement, the County recorded capital asset acquisitions of \$1,893,875. These assets are being depreciated in accordance with the County's policies. The lease includes options to purchase the leased equipment for varying prices each year. The following is a schedule of future principal and interest payments due:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Purchase Option Price</u> |
|-------------|---------------------|-----------------|------------------|------------------------------|
| 2019 | \$ 127,004 | 50,079 | 177,083 | \$ 1,584,140 |
| 2020 | 136,067 | 46,333 | 182,400 | 1,446,096 |
| 2021 | 145,517 | 42,318 | 187,835 | 1,298,751 |
| 2022 | 109,734 | 38,026 | 147,760 | 1,187,356 |
| Thereafter | <u>1,179,286</u> | <u>175,059</u> | <u>1,354,345</u> | From \$1,068,350 - \$0 |
| | <u>\$ 1,697,608</u> | <u>351,815</u> | <u>2,049,423</u> | |

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, 2018, the outstanding long-term indebtedness of the County aggregated \$35,018,243. Of this amount, \$665,000 was subject to the constitutional debt limit.

f. Maturity Schedule

The following is a summary of bond principal maturities and interest requirements.

| Year | Court House 2009 Serial Bonds | |
|-------|-------------------------------|----------|
| | Principal | Interest |
| 2019 | \$ 665,000 | 23,275 |
| Total | \$ 665,000 | 23,275 |

5. Long-Term Debt- Component Units

a. Bonds Payable -Solid Waste Management Authority

A summary of the Solid Waste Management Authority's bonds payable at June 30, 2018, is as follows:

EFC Bonds to be used to pay EFC Note short term financing, fund debt service reserves, and provide funds for construction costs. Interest is payable semiannually at 0.8% to 5.0%, first payment due annually starting on July 1, 2017 through 2039 \$ 10,892,974

Solid Waste System Refunding bonds, Series 2015 A & B.

Interest payable semi-annually at 3.0% to 5.0%, principal installments of \$140,000 through \$530,000, first payment due payable annually starting on June 1, 2016 through 2040. 7,985,000

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 3,980,000

Subtotal 22,857,974

Less current installments (877,974)

Total bonds Payable \$ 21,980,000

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:

| | <u>Principal</u> | <u>Interest</u> |
|------------------------------|----------------------|------------------|
| For the year ending June 30, | | |
| 2019 | \$ 877,974 | 639,080 |
| 2020 | 890,000 | 618,660 |
| 2021 | 915,000 | 597,060 |
| 2022 | 940,000 | 574,286 |
| 2023-2027 | 5,125,000 | 2,432,547 |
| 2028-2032 | 5,970,000 | 1,627,091 |
| 2033-2037 | 4,885,000 | 834,873 |
| 2038-2042 | 3,255,000 | 167,892 |
| | <u>\$ 22,857,974</u> | <u>7,491,489</u> |

Interest expense on the above indebtedness was \$637,155 for the year ended June 30, 2018, when bond related amortization costs are included. Interest paid was \$658,359 for the year ended June 30, 2018.

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

A summary of the Solid Waste Management Authority's other long-term debt at June 30, 2018 is as follows:

| | |
|--|-------------------|
| First Niagara Leasing, Inc. capital lease payable in annual installments of \$21,099 including interest at 2.76%, due March 2019, secured by equipment. | \$ 20,533 |
| TCF Equipment Finance capital lease payable in semiannual installments of \$3,711 including interest at 3.211%, due January, 2020, secured by equipment. | 14,268 |
| First Niagara Leasing, Inc. capital lease payable in annual installments of \$35,190 including interest at 2.54%, due August 2016, secured by equipment | 100,424 |
| Caterpillar Financial Services, capital lease payable in semiannual installments of \$71,244 including interest at 2.5%, due November 2016, secured by equipment | 474,677 |
| Key Government Finance capital lease payable in semiannual installments of \$11,337 including interest at 5.0%, due September 2022, secured by equipment. | <u>90,318</u> |
| Total | 700,220 |
| Less Current Portion | <u>(209,994)</u> |
| Net Other Long-Term Debt | <u>\$ 490,226</u> |

Interest expense incurred and paid on the above indebtedness was \$21,979 for the year ended June 30, 2018. The Authority incurred \$3,101 of additional interest expense on financing of its insurance policy payments during the year ended June 30, 2018.

A summary of the Authority's future annual minimum maturities of long-term debt at June 30, 2018, is as follows:

| | | |
|-----------------------------------|----|----------------|
| For the year ending June 30, 2019 | \$ | 209,994 |
| 2020 | | 194,758 |
| 2021 | | 192,732 |
| 2022 | | 91,677 |
| 2023 | | 11,059 |
| | \$ | <u>700,220</u> |

6. Other Liabilities

The following is a summary of other liabilities as of December 31, 2018:

a. Primary Government

Governmental Activities

| | | |
|-------------------------------|----|------------------|
| Overpayments | \$ | 393,080 |
| Accrued Liabilities | | <u>1,489,187</u> |
| Total Governmental Activities | | <u>1,882,267</u> |

| | | |
|------------------|--|--------------|
| Accrued Interest | | <u>3,879</u> |
|------------------|--|--------------|

| | | |
|--------------------------|----|------------------|
| Total Primary Government | \$ | <u>1,886,146</u> |
|--------------------------|----|------------------|

Fiduciary Funds

| | | |
|--------------------------------------|----|------------------|
| Restricted Cash and Deposits Payable | \$ | <u>1,358,780</u> |
|--------------------------------------|----|------------------|

b. Component Unit

Solid Waste Management Authority

i. Environmental and Closure Accrual for Landfill

As discussed in Note F-9 above, the Authority reports a portion of its closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. The \$5,359,473 reported as landfill closure and post-closure care liability at June 30, 2018 represents the cumulative amount reported to date based on the use of 47 percent of the estimated capacity of the landfill at June 30, 2018. The Authority will recognize the remaining estimated cost of closure and post-closure care of \$6,048,156 as the remaining capacity is filled. This amount is based on what it would cost to perform all closure and post-closure care in 2018. The Authority expects to close the landfill in the year 2044. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to a fund to finance closure and post-closure care. The Authority is in compliance with these requirements, and, at June 30, 2018, investments in the amount of \$3,901,351 are held for these purposes. These are reported as restricted assets on the balance sheet. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. If, however, interest earnings are inadequate, or if additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

A summary of the environmental and closure accrual, which includes the consulting engineer's estimate of the cost for environmental compliance, landfill closure, and post-closure through June 30, 2018, is as follows:

| | |
|--|-----------------------|
| Total landfill capacity | 3,987,420 cubic yards |
| Total landfill capacity used through June 30, 2018 | 1,873,349 cubic yards |
| Percentage of total landfill capacity | 46.98% |
| Estimated closure and post-closure costs | \$ 11,407,629 |
| Environmental and closure accrual | \$ 5,359,473 |
| Anticipated closure date | 2074 |

ii. Accrued Interest

Accrued interest payable \$ 114,779

7. Operating Lease

The County was obligated by an operating lease for a building located on Catherine Street, Malone, New York for the Public Health Nurses and Office of Aging, which was a month-to-month lease in 2018 until these entities moved back to the court house in late 2018. The County also has one additional lease for the District Attorney who is paying month-to-month.

The County also has five separate copier lease agreements. All five leases are for a term of 60 month. The monthly payment amounts on these leases are \$496, \$475, \$911, \$1,006, and \$3,135.

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

C. DUE TO/FROM OTHER FUNDS

Due to/from other funds at December 31, 2018, were as follows:

| | Due To | Due From |
|--------------------------------------|---------------------|------------------|
| <u>Major Governmental Activities</u> | | |
| General | \$ 2,272,798 | 3,176,000 |
| <u>Other Governmental Activities</u> | | |
| County Road | - | 1,447,472 |
| Road Machinery | - | 200,000 |
| Capital Projects | 3,198,472 | 647,798 |
| Total | <u>\$ 5,471,270</u> | <u>5,471,270</u> |

These amounts are eliminated with GASB #34.

D. INTERFUND TRANSFERS RECONCILIATION

Operating transfers in (other sources) and operating transfers out (other uses) for the year ended December 31, 2018 were as follows:

| Fund | Other Sources | Other Uses |
|--------------------------------------|---------------------|------------------|
| <u>Major Governmental Activities</u> | | |
| General | \$ - | 4,859,743 |
| <u>Other Governmental Activities</u> | | |
| County Roads | 3,045,982 | 38,944 |
| Road Machinery | 359,613 | - |
| Capital Projects | 513,798 | - |
| Debt Service | 979,294 | - |
| | <u>\$ 4,898,687</u> | <u>4,898,687</u> |

These amounts are eliminated with GASB #34. Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. FUND BALANCE CLASSIFICATIONS

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

| Fund | Purpose | Balance |
|------------------------------|--|---------------------|
| General | NonSpendable Fund Balance | |
| | Inventory | \$ 19,385 |
| | Prepays | 643,270 |
| | Total NonSpendable Fund Balance | <u>\$ 662,655</u> |
| | Restricted Fund Balance | |
| | Retirement | \$ 848,065 |
| | Unemployment Insurance | 522,585 |
| | Tax Stabilization | 275 |
| | Capital Reserve (Mortgage Tax) | 509,835 |
| | District Attorney | 25,793 |
| | Total Restricted Fund Balance | <u>\$ 1,906,553</u> |
| | Assigned Fund Balance | |
| | Assigned, Appropriated | \$ 1,000,000 |
| | Stop DWI | 32,172 |
| | Economic Development | 83,506 |
| | | <u>\$ 1,115,678</u> |
| Special Revenue Funds | | |
| | NonSpendable Fund Balance | |
| | Inventory | \$ 357,386 |
| | Prepays | 9,182 |
| | Total NonSpendable Fund Balance | <u>\$ 366,568</u> |
| | Restricted Fund Balance | |
| | Special reserve | \$ 864,332 |
| | Special reserve | 462,440 |
| | Total Restricted Fund Balance | <u>\$ 1,326,772</u> |
| | Assigned Fund Balance | |
| | Assigned Unappropriated | \$ 278,031 |
| | Assigned Unappropriated | 1,184,373 |
| | Assigned Unappropriated | 63,631 |
| | Assigned Unappropriated | 128,184 |
| | Assigned Appropriated | 10 |
| | Total Assigned Fund Balance | <u>\$ 1,654,229</u> |

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, 2018, the \$9,768,505 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, 2018, was as follows:

| | | |
|----------|----|--------|
| Clinton | \$ | 85,466 |
| Essex | \$ | 46,907 |
| Franklin | \$ | 30,426 |

The following is a summary of financial information included in unaudited financial statements issued for the joint venture as of and for the year ended December 31, 2018:

| | | |
|-----------------------|----|-----------|
| Total Assets | \$ | 1,693,293 |
| Total Liabilities | | 239,395 |
| Fund Equity: | | |
| Reserved | | 157,197 |
| Unreserved | | 1,296,701 |
| Total Fund Equity | | 1,453,898 |
| Total Revenues (2018) | \$ | 1,480,043 |
| Total Expenses (2018) | \$ | 1,451,559 |

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 2017 - 2018 fiscal year is as follows:

| | |
|----------|--------------|
| Franklin | \$ 1,240,000 |
| Essex | \$ 1,240,000 |

The following is a summary of the financial information from the unaudited financial statements issued for the joint venture as of and for the year ended August 31, 2018:

| | |
|---|-----------------------|
| Total Assets and Deferred Outflows of Resources | \$ 13,719,442 |
| Total Liabilities and Deferred Inflows of Resources | <u>(17,537,638)</u> |
| Net Position | <u>\$ (3,818,196)</u> |
| Total Revenues (2017-18) | <u>\$ 15,359,485</u> |
| Total Expenditures (2017-18) | <u>\$ 15,879,772</u> |

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, 2018. 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, 2018, and are recorded as Accounts Receivable and Deferred Revenue:

| | School Taxes | School Interest and Penalty | Town and County Tax | Base Lien Amount |
|----------------|---------------------|-----------------------------|---------------------|------------------|
| Fort Covington | \$ 263,689 | 24,101 | 510,246 | 773,746 |
| Bombay | <u>3,046,532</u> | <u>278,453</u> | <u>2,074,813</u> | <u>5,400,766</u> |
| | <u>\$ 3,310,221</u> | <u>302,554</u> | <u>2,585,059</u> | <u>6,174,512</u> |

B. SELF-INSURED HEALTH INSURANCE

The County of Franklin incurs costs related to a self-insured employee health plan. The health plan's objectives are to formulate, develop, and administer a program of health insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Lifetime Benefits Solutions, the health plan claims administrator, bills the County for approved benefits due employees. The County of Franklin has stop-loss insurance, for medical coverage only, to provide protection for claims in excess of \$125,000 per individual and a specific insurance limit

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

| | |
|--|--------------------|
| Unpaid Claims, Beginning of Fiscal Year | \$ 500,000 |
| Plus: Incurred Claims (including IBNR's) | 6,084,509 |
| Less: Claim Payments | <u>(6,084,509)</u> |
| Unpaid Claims, End of Fiscal Year | <u>\$ 500,000</u> |

C. FEDERAL AND STATE GRANTS

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

D. UNEMPLOYMENT INSURANCE

The County of Franklin provides unemployment insurance through direct billings from the New York State Unemployment Insurance Fund. For the year ended December 31, 2018, the County paid \$53,991 of benefits from the unemployment insurance reserve. At December 31, 2018, the County recognized a liability for unpaid, unasserted claims of \$8,276 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 23 participants, including the County of Franklin, at December 31, 2018. 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, 2018, 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. The agreement was renewed on May 1, 2012 and the provisions extended accordingly.

In consideration of the Authority's performance of certain activities relating to solid waste disposal, the County shall pay a service fee equal to the Authority's estimated debt service, plus operating and maintenance costs less estimated net investment earnings, if any, for each fiscal year, provided that in no event shall the service fee be less than zero. The County 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, 2018, totaled \$6,485,709.

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 \$6,485,709 for the year ended June 30, 2018. The Authority owed Franklin County \$508,800 at June 30, 2018 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% of the Authority's operating revenue.

The Authority has no commitments to contractors for capital projects in process at June 30, 2018. All capital projects were completed and resulting assets were placed in service. Retainage in the amount of \$457,045 was held at June 18, 2018 and is reflected as a liability.

H. RAINBOW LAKE WATER PROTECTION DISTRICT

The Rainbow Lake Water Protection District has an application approved with the New York State Department of Environment Conservation and the permit has been issued, allowing the District to do capital improvements to the dam estimated to cost \$300,000. The improvements will be financed by a Franklin County bond issue. Franklin County has issued a bond anticipation note not to exceed \$270,000. When the project is complete, the County will finalize the bond.

As of December 31, 2018, \$104,923 has been disbursed by the County from the bond anticipation note proceeds to contractors for the dam construction progress. The budget is \$270,000 for the project. The Office of the Comptroller of New York State has approved expenditures of \$300,000 for the project.

NOTE VII - NET WORKING CAPITAL

| | Net Working Capital (Deficit) | Current Assets | Current Liabilities |
|----------------------------------|----------------------------------|----------------|---------------------|
| Solid Waste Management Authority | \$ 9,378,722 | 12,698,381 | 3,319,659 |
| Civic Development Corporation | 16,540 | 16,540 | - |
| Industrial Development Agency | 815,009 | 829,176 | 14,167 |

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 2018 totaled \$637,301 and are recorded in the General Fund account - Other Compensation for Loss.

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

In 2004, the State of New York enacted legislation providing for an appropriation of revenue from slot machines at the tribal casino located in Akwesasne. The County of Franklin and the County of St. Lawrence shall receive 50% of the negotiated 25% of the net draw from slot machines made available to the Counties by the State. The County recorded accounts receivable for July 1st to September 30, 2018 based on correspondence from NYS for \$685,359 and the last quarter of 2018 in the amount of \$566,312, half of which is due to the Towns of Bombay and Fort Covington.

NOTE X – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 13, 2019, the date on which the financial statements were available to be issued.

Management of the Rainbow Lake Water Protection District has evaluated subsequent events through February 28, 2019 which is the date the financial statements of the District were available to be issued.

Management of the Solid Waste Management Authority has evaluated subsequent events between June 30, 2018 and October 18, 2018, the date on which the financial statements were available to be issued.

Management of the Civic Development Corporation evaluated subsequent events through December 31, 2018 and March 14, 2019, the date on which the financial statements were available to be issued.

Management of the Industrial Development Agency has evaluated subsequent events through December 31, 2018 and March 14, 2019, which is the date the financial statements were available to be issued.

NOTE XI – RECONCILIATION OF NET CAPITAL ASSETS

| | | |
|--|--------------------|--------------------|
| Capital assets, net of depreciation | \$ | 50,532,330 |
| Debt issued to acquire capital assets: | | |
| Serial bonds | (665,000) | |
| Capital leases | <u>(1,923,330)</u> | <u>(2,588,330)</u> |
| Net investment in capital assets | \$ | <u>47,944,000</u> |

NOTE XII – OPERATING LEASES (INDUSTRIAL DEVELOPMENT AGENCY)

On September 6, 2018, the Agency entered into a rental agreement for office and storage space with The County of Franklin (“the County”) in the County building located at 355 Main Street, Malone, New York. The lease term commencing on September 6, 2018 and continuing until September 5, 2019. Either party may terminate at the end of the term by giving the other party written notice of at least 60 days. Rent is \$1 annually for the 12-month period and fees of \$100 per month for cleaning, maintenance, and trash removal.

NOTE XIII – LEASES (INDUSTRIAL DEVELOPMENT AGENCY)

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

NOTE XIV – TAX ABATEMENTS

The County, through its Industrial Development Agency (IDA) and its Local Development Agency (LDC) programs, in an attempt to attract and maintain economic development and job growth in the County, has the ability to induce business with property tax abatement as part of a payments in lieu of taxes (PILOT) program. Total taxes abated during the year ended December 31, 2018 were \$65,760.

NOTE XV – RELATED PARTY TRANSACTIONS (SWMA)

The Authority has agreements with Franklin County and the Village of Malone to accept waste generated from government departments at no charge up to agreed upon limits. During the year ended June 30, 2018, the Authority accepted at no charge \$10,635 from Franklin County and \$32,356 from the Village of Malone of waste generated by governmental departments.

NOTE XVI – CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT OF NET POSITION)

For the year ended December 31, 2018, the County adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The implementation of this statement requires the County's net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result, the OPEB liability was restated from \$31,261,058 to \$27,355,200 at December 31, 2017. Net position of governmental activities at December 31, 2017 has been restated. Information on beginning of year deferred outflows and deferred inflows of resources is not available and, therefore, such amounts have not been restated.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY OF FRANKLIN
SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST ONE YEAR *

| | Year Ended December 31, 2018 |
|---|---------------------------------|
| Measurement date | January 1, 2018 |
| Total OPEB liability | |
| Service Cost | \$ 1,132,959 |
| Interest | 1,047,997 |
| Differences between expected and actual experience in the measurement of the total OPEB liability | - |
| Changes in assumptions or other inputs | 921,348 |
| Benefit payments | <u>(1,526,760)</u> |
| Net change in OPEB liability | 1,575,544 |
| Total OPEB liability - beginning, as restated | <u>27,355,200</u> |
| Total OPEB liability - ending | <u><u>\$ 28,930,744</u></u> |
| Covered payroll | \$ 19,895,400 |
| Total OPEB liability as a percentage of covered payroll | 145.41% |

Notes to schedule:

Changes of assumption: Changes of assumptions and other inputs reflect the effects of the discount rate each period. The following are the discount rates used in each period.

| | |
|------|-------|
| 2018 | 3.44% |
|------|-------|

* Ten years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

SCHEDULE 2

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

| | Year Ended December 31, | | | |
|---|--------------------------------|------------------|-------------------|------------------|
| | 2018 | 2017 | 2016 | 2015 |
| Measurement date | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 |
| County's proportion of the net pension liability | 0.0862995% | 0.0846233% | 0.0955071% | 0.0387080% |
| County's proportionate share of the net pension liability * | <u>\$ 2,505,449</u> | <u>7,187,639</u> | <u>15,329,156</u> | <u>1,307,653</u> |
| County's covered-employee payroll | \$ 18,596,867 | 18,200,632 | 17,676,551 | 18,884,567 |
| County's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 13.5% | 39.5% | 86.7% | 6.9% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.2% | 94.7% | 90.7% | 97.9% |

*: A portion of this liability has been allocated to NCCC during the year.

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

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

SCHEDULE 2 con't

COUNTY OF FRANKLIN
SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR YEARS *

| | Year Ended December 31, | | | |
|--|--------------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2016 | 2015 |
| Measurement date | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 |
| Authority's proportion of the net pension liability | 0.0048963% | 0.0043805% | 0.0043757% | 0.0046574% |
| Authority's proportionate share of the net pension liability | <u>\$ 158,024</u> | <u>411,605</u> | <u>702,317</u> | <u>157,340</u> |
| Authority's covered-employee payroll | \$ 1,211,121 | 1,118,953 | 1,038,194 | 1,294,266 |
| Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 13.0% | 36.8% | 67.6% | 12.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.2% | 94.7% | 90.7% | 97.9% |

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

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

**COUNTY OF FRANKLIN
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR YEARS ***

| | Year Ended December 31, | | | |
|---|--------------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2016 | 2015 |
| Measurement date | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 |
| Agency's proportion of the net pension liability | 0.0001849% | 0.0003402% | 0.0003563% | 0.0362000% |
| Agency's proportionate share of the net pension liability | <u>\$ 5,968</u> | <u>31,964</u> | <u>57,180</u> | <u>12,230</u> |
| Agency's covered-employee payroll | \$ 109,273 | 111,919 | 123,646 | 119,487 |
| Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 5.5% | 28.6% | 46.2% | 10.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.2% | 94.7% | 90.7% | 97.9% |

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

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

SCHEDULE 2 con't

COUNTY OF FRANKLIN
NORTH COUNTRY COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR YEARS *

| | Year Ended August 31, | | | |
|--|------------------------------|----------------|------------------|----------------|
| | 2018 | 2017 | 2016 | 2015 |
| Measurement date | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 |
| College's proportion of the net pension liability | 0.0086377% | 0.0078716% | 0.0093710% | 0.0091200% |
| College's proportionate share of the net pension liability | <u>\$ 278,777</u> | <u>739,639</u> | <u>1,436,495</u> | <u>296,428</u> |
| College's covered-employee payroll | \$ 2,201,554 | 2,089,414 | 1,891,231 | 1,998,431 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 12.7% | 35.4% | 76.0% | 14.8% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.2% | 94.7% | 90.7% | 97.9% |

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

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

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

| FRANKLIN COUNTY | Year Ended December 31, | | | |
|--|--------------------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2016 | 2015 |
| Contractually required contributions | \$ 2,573,081 | 2,609,025 | 2,297,606 | 2,660,124 |
| Contributions in relation to the contractually required contribution | <u>(2,573,081)</u> | <u>(2,609,025)</u> | <u>(2,297,606)</u> | <u>(2,660,124)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| County's covered-employee payroll | \$ 18,930,938 | 18,563,719 | 19,077,655 | 19,198,460 |
| Contributions as a percentage of covered-employee payroll | 13.6% | 14.1% | 12.0% | 13.9% |
| SWMA | | | | |
| | 2018 | 2017 | 2016 | 2015 |
| Contractually required contributions | \$ 154,433 | 149,003 | 125,912 | 207,475 |
| Contributions in relation to the contractually required contribution | <u>(154,433)</u> | <u>(149,003)</u> | <u>(125,912)</u> | <u>(207,475)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| County's covered-employee payroll | \$ 1,211,121 | 1,118,953 | 1,038,194 | 1,294,266 |
| Contributions as a percentage of covered-employee payroll | 12.8% | 13.3% | 12.1% | 16.0% |
| IDA | | | | |
| | 2018 | 2017 | 2016 | 2015 |
| Contractually required contributions | \$ 17,119 | 17,757 | 19,616 | 23,474 |
| Contributions in relation to the contractually required contribution | <u>(17,119)</u> | <u>(17,757)</u> | <u>(19,616)</u> | <u>(23,474)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| County's covered-employee payroll | \$ 109,273 | 111,919 | 123,646 | 119,487 |
| Contributions as a percentage of covered-employee payroll | 15.7% | 15.9% | 15.9% | 19.6% |

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

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

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

| NCCC | Year Ended August 31, | | | |
|---|------------------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2016 | 2015 |
| Contractually required contributions | \$ 277,233 | 283,270 | 305,062 | 388,801 |
| Contributions in relation to the contractually required contribution | <u>(277,233)</u> | <u>(283,270)</u> | <u>(305,062)</u> | <u>(388,801)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| County's covered-employee payroll | \$ 2,201,554 | 2,089,414 | 1,891,231 | 1,998,431 |
| Contributions as a percentage of covered-employee payroll | 12.6% | 13.6% | 16.1% | 19.5% |

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

COUNTY OF FRANKLIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance With Final Budget Favorable (Unfavorable) |
|--|--------------------|-----------------|---------------------------|---|
| BUDGETARY FUND BALANCE - JANUARY 1 | \$ 5,448,638 | 5,448,638 | 5,448,638 | - |
| RESOURCES (INFLOWS): | | | | |
| Real Property Taxes | 16,729,399 | 16,729,399 | 16,213,668 | (515,731) |
| Real Property Tax Items | 2,050,541 | 2,050,541 | 1,920,790 | (129,751) |
| Non-Property Tax Items | 23,845,000 | 23,845,000 | 24,471,126 | 626,126 |
| Departmental Income | 12,747,813 | 13,088,263 | 11,881,794 | (1,206,469) |
| Intergovernmental Charges | 342,200 | 6,904,152 | 7,024,787 | 120,635 |
| Use of Money and Property | 276,345 | 276,345 | 487,845 | 211,500 |
| Fines and Forfeitures | 191,183 | 343,845 | 227,097 | (116,748) |
| Sale of Property and Compensation for Loss | 810,000 | 810,000 | 771,927 | (38,073) |
| Miscellaneous Local Sources | 4,176,264 | 4,179,521 | 4,759,929 | 580,408 |
| Interfund Revenues | 391,594 | 391,594 | 391,376 | (218) |
| State Aid | 16,727,048 | 20,339,064 | 18,432,664 | (1,906,400) |
| Federal Aid | 9,353,884 | 10,280,174 | 8,514,840 | (1,765,334) |
| Amounts Available for Appropriation | 87,641,271 | 99,237,898 | 95,097,843 | (4,140,055) |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| General Government Support | 12,070,242 | 11,860,367 | 10,133,916 | 1,726,451 |
| Education | 4,464,683 | 4,464,683 | 3,882,761 | 581,922 |
| Public Safety | 10,447,506 | 11,329,742 | 11,043,148 | 286,594 |
| Health | 10,049,767 | 10,856,404 | 9,683,114 | 1,173,290 |
| Transportation | 2,013,118 | 1,728,454 | 1,510,455 | 217,999 |
| Economic Assistance and Opportunity | 35,630,303 | 39,195,911 | 37,792,537 | 1,403,374 |
| Culture and Recreation | 148,884 | 153,605 | 146,617 | 6,988 |
| Home and Community Services | 574,846 | 7,136,798 | 7,111,008 | 25,790 |
| Employee Benefits | 7,857,033 | 7,857,033 | 7,339,819 | 517,214 |
| Transfers to Other Funds | 4,384,889 | 5,122,789 | 4,859,743 | 263,046 |
| Total Charges to Appropriations | 87,641,271 | 99,705,786 | 93,503,118 | 6,202,668 |
| BUDGETARY FUND BALANCE - DECEMBER 31 | \$ 5,448,638 | 4,980,750 | 7,043,363 | 2,062,613 |

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

**COUNTY OF FRANKLIN
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|-----------------------------------|---|
| BUDGETARY FUND BALANCE, JANUARY 1 | <u>\$ 2,863,817</u> | <u>2,863,817</u> | <u>2,863,817</u> | <u>-</u> |
| RESOURCES (INFLOWS): | | | | |
| Departmental Income | 15,150 | 15,150 | 4,246 | (10,904) |
| Use of Money and Property | - | - | 70 | 70 |
| Intergovernmental Charges | - | - | - | - |
| Sale of Property and Compensation for Loss | 2,650 | 2,650 | 18,759 | 16,109 |
| Interfund Revenues | 124,000 | 189,000 | 275,680 | 86,680 |
| State Aid | - | - | 246,766 | 246,766 |
| Transfers from Other Funds | <u>3,405,598</u> | <u>3,405,594</u> | <u>3,405,595</u> | <u>1</u> |
| Amounts Available for Appropriation | <u>3,547,398</u> | <u>3,612,394</u> | <u>3,951,116</u> | <u>338,722</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| Public Safety | 207,641 | 163,642 | 135,287 | 28,355 |
| Transportation | <u>4,612,643</u> | <u>4,720,643</u> | <u>4,358,472</u> | <u>362,171</u> |
| Total Charges to Appropriations | <u>4,995,284</u> | <u>5,059,285</u> | <u>4,532,703</u> | <u>526,582</u> |
| BUDGETARY FUND BALANCE, DECEMBER 31 | <u>\$ 1,415,931</u> | <u>1,416,926</u> | <u>2,282,230</u> | <u>865,304</u> |

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

COUNTY OF FRANKLIN
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A - Budget-to-Actual Reconciliation

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

| | <u>GENERAL FUND</u> | <u>SPECIAL REVENUE FUND</u> |
|--|--------------------------------|--|
| Sources/Inflows of Resources: | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 95,097,843 | 3,951,116 |
| Revenues not included in budgetary comparison, not part of the adopted budget, including subrecipient grants | - | 5,075,264 |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | - | (3,405,595) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds | \$ <u>95,097,843</u> | <u>5,620,785</u> |
| Uses/Outflows of Resources: | | |
| Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule | \$ 93,503,118 | 4,532,703 |
| Expenditures not included in budgetary comparison, not part of the adopted budget, including subrecipient grants | - | 5,912,763 |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (4,859,743) | (38,944) |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds | \$ <u>88,643,375</u> | <u>10,406,522</u> |

SUPPLEMENTARY INFORMATION

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**COUNTY OF FRANKLIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018**

| | Special Revenue | Debt Service | Capital Projects | Total Nonmajor Governmental Funds |
|---|---------------------|-----------------|---------------------|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 376,245 | 10 | 676 | 376,931 |
| Cash and Cash Equivalents- Restricted | 864,231 | - | - | 864,231 |
| Other Receivables, Net | 59,401 | - | - | 59,401 |
| State and Federal Receivables | 231,532 | - | 2,724,253 | 2,955,785 |
| Inventories | 357,386 | - | - | 357,386 |
| Due From Other Governments | - | - | 8,679 | 8,679 |
| Prepaid Expenses | 9,182 | - | - | 9,182 |
| Due From Other Funds | 1,647,472 | - | 647,798 | 2,295,270 |
| Total Assets | <u>3,545,449</u> | <u>10</u> | <u>3,381,406</u> | <u>6,926,865</u> |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts Payable | 17,814 | - | 324,644 | 342,458 |
| Accrued Liabilities | 54,591 | - | - | 54,591 |
| Bond Anticipation Note | - | - | 270,000 | 270,000 |
| Due To Other Governments | 1,607 | - | - | 1,607 |
| Other Liabilities | - | - | - | - |
| Due To Other Funds | - | - | 3,198,472 | 3,198,472 |
| Total Liabilities | <u>74,012</u> | <u>-</u> | <u>3,793,116</u> | <u>3,867,128</u> |
| Deferred Inflow of Resources | | | | |
| Unavailable Revenue - Community Development Loans | 123,878 | - | - | 123,878 |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Inventory | 357,386 | - | - | 357,386 |
| Prepaid | 9,182 | - | - | 9,182 |
| Restricted: | | | | |
| Repairs | 462,440 | - | - | 462,440 |
| Other | 864,332 | - | - | 864,332 |
| Assigned | | | | |
| Assigned Appropriated | - | 10 | - | 10 |
| Assigned Unappropriated | 1,654,219 | - | - | 1,654,219 |
| Unassigned | - | - | (411,710) | (411,710) |
| Total Fund Balances | <u>3,347,559</u> | <u>10</u> | <u>(411,710)</u> | <u>2,935,859</u> |
| Total Liabilities, Deferred Inflow or Resources and Fund Balances | <u>\$ 3,545,449</u> | <u>10</u> | <u>3,381,406</u> | <u>6,926,865</u> |

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

COUNTY OF FRANKLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Special Revenue | Debt Service | Capital Projects | Total Nonmajor Governmental Funds |
|--|--------------------|-----------------|---------------------|--|
| REVENUES | | | | |
| Departmental Income | \$ 27,713 | - | - | 27,713 |
| Use of Money and Property | 843 | - | 388 | 1,231 |
| Sale of Property and Compensation for Loss | 34,140 | - | - | 34,140 |
| Miscellaneous Local Sources | 13,641 | - | - | 13,641 |
| Interfund Revenues | 368,295 | - | - | 368,295 |
| State Aid | 1,383,938 | - | 2,528,513 | 3,912,451 |
| Federal Aid | 52,278 | - | 1,211,036 | 1,263,314 |
| Total Revenues | 1,880,848 | - | 3,739,937 | 5,620,785 |
| EXPENDITURES | | | | |
| Public Safety | 135,287 | - | - | 135,287 |
| Transportation | 4,358,472 | - | 4,451,668 | 8,810,140 |
| Economic Assistance and Opportunity | 481,804 | - | - | 481,804 |
| Debt Service (Principal and Interest) | - | 979,291 | - | 979,291 |
| Total Expenditures | 4,975,563 | 979,291 | 4,451,668 | 10,406,522 |
| Excess of Revenues Over (Under) Expenditures | (3,094,715) | (979,291) | (711,731) | (4,785,737) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers From Other Funds | 3,405,595 | 979,294 | 513,798 | 4,898,687 |
| Transfers To Other Funds | (38,944) | - | - | (38,944) |
| Net Other Financing Sources (Uses) | 3,366,651 | 979,294 | 513,798 | 4,859,743 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 271,936 | 3 | (197,933) | 74,006 |
| Fund Balances-Beginning of the Year | 3,075,623 | 7 | (213,777) | 2,861,853 |
| Fund Balances-End of the Year | \$ 3,347,559 | 10 | (411,710) | 2,935,859 |

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

**COUNTY OF FRANKLIN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
AS OF DECEMBER 31, 2018**

| | Road Machinery Fund | County Roads Fund | CDBG Fund | Soil and Water Conservation District | Total Special Revenue Funds |
|---|---------------------------|-------------------------|--------------|--|-----------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 97,166 | 9,779 | 144,360 | 124,940 | 376,245 |
| Cash and Cash Equivalents- Restricted | - | - | - | 864,231 | 864,231 |
| Other Receivables, Net | 5,252 | 5,528 | 44,756 | 3,865 | 59,401 |
| State and Federal Receivables | - | 231,532 | - | - | 231,532 |
| Inventories | 357,386 | - | - | - | 357,386 |
| Prepaid Expenses | - | - | - | 9,182 | 9,182 |
| Due From Other Funds | 200,000 | 1,447,472 | - | - | 1,647,472 |
| Total Assets | 659,804 | 1,694,311 | 189,116 | 1,002,218 | 3,545,449 |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 15,656 | 2,158 | - | - | 17,814 |
| Accrued Liabilities | 8,731 | 45,340 | - | 520 | 54,591 |
| Due To Other Governments | - | - | 1,607 | - | 1,607 |
| Due To Other Funds | - | - | - | - | - |
| Total Liabilities | 24,387 | 47,498 | 1,607 | 520 | 74,012 |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Unavailable Revenue - Community Development Loans | - | - | 123,878 | - | 123,878 |
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Inventory | 357,386 | - | - | - | 357,386 |
| Prepaid | - | - | - | 9,182 | 9,182 |
| Restricted: | | | | | |
| Repairs | - | 462,440 | - | - | 462,440 |
| Other | - | - | - | 864,332 | 864,332 |
| Assigned: | | | | | |
| Assigned, Appropriated | - | - | - | - | - |
| Assigned, Unappropriated | 278,031 | 1,184,373 | 63,631 | 128,184 | 1,654,219 |
| Total Fund Balances | 635,417 | 1,646,813 | 63,631 | 1,001,698 | 3,347,559 |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | \$ 659,804 | 1,694,311 | 189,116 | 1,002,218 | 3,545,449 |

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

COUNTY OF FRANKLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| REVENUES | Road Machinery Fund | County Roads Fund | CDBG Fund | Soil and Water Conservation District | Total Special Revenue Funds |
|--|------------------------------------|----------------------------------|----------------------|---|--|
| Departmental Income | \$ - | 4,246 | - | 23,467 | 27,713 |
| Use of Money and Property | 27 | 43 | 603 | 170 | 843 |
| Sale of Property and Compensation for Loss | 17,872 | 887 | - | 15,381 | 34,140 |
| Miscellaneous Local Sources | - | - | 3,297 | 10,344 | 13,641 |
| Interfund Revenues | 257,680 | 18,000 | - | 92,615 | 368,295 |
| State Aid | - | 246,766 | - | 1,137,172 | 1,383,938 |
| Federal Aid | - | - | - | 52,278 | 52,278 |
| Total Revenues | 275,579 | 269,942 | 3,900 | 1,331,427 | 1,880,848 |
| EXPENDITURES | | | | | |
| Public Safety | - | 135,287 | - | - | 135,287 |
| Transportation | 815,110 | 3,543,362 | - | - | 4,358,472 |
| Economic Assistance and Opportunity | - | - | - | 481,804 | 481,804 |
| Total Expenditures | 815,110 | 3,678,649 | - | 481,804 | 4,975,563 |
| Excess of Revenues Over (Under) Expenditures | (539,531) | (3,408,707) | 3,900 | 849,623 | (3,094,715) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers From Other Funds | 359,613 | 3,045,982 | - | - | 3,405,595 |
| Transfers To Other Funds | - | (38,944) | - | - | (38,944) |
| Net Other Financing Sources | 359,613 | 3,007,038 | - | - | 3,366,651 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (179,918) | (401,669) | 3,900 | 849,623 | 271,936 |
| Fund Balances-Beginning of the Year | 815,335 | 2,048,482 | 59,731 | 152,075 | 3,075,623 |
| Fund Balances-End of the Year | \$ 635,417 | 1,646,813 | 63,631 | 1,001,698 | 3,347,559 |

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

COUNTY OF FRANKLIN
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
AS OF DECEMBER 31, 2018 AND JUNE 30, 2018

| | IDA December 31, 2018 | CDC December 31, 2018 | SWMA June 30, 2018 | RLWPD December 31, 2018 | Total |
|---|-----------------------------|-----------------------------|--------------------------|-------------------------------|------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 495,799 | 16,540 | 106,269 | 13,407 | 632,015 |
| Restricted Cash and Cash Equivalents | - | - | 10,119,514 | - | 10,119,514 |
| Restricted Investments | - | - | 1,666,709 | - | 1,666,709 |
| Other Receivables, Net | 632,000 | - | 621,740 | - | 1,253,740 |
| Other Assets | 13,377 | - | 184,149 | - | 197,526 |
| Land | 154,794 | - | 2,064,979 | - | 2,219,773 |
| Construction in Progress | - | - | - | - | - |
| Fixed Assets, Net of Depreciation | 733,970 | - | 15,004,922 | 132,110 | 15,871,002 |
| Capitalized Preoperational and Financing Costs, Net | - | - | 1,379,252 | - | 1,379,252 |
| Total Assets | 2,029,940 | 16,540 | 31,147,534 | 145,517 | 33,339,531 |
| DEFERRED OUTFLOW OF RESOURCES | | | | | |
| Deferred Amount on ERS Pension | 47,366 | - | 567,907 | - | 615,273 |
| Total Deferred Outflows of Resources | 47,366 | - | 567,907 | - | 615,273 |
| LIABILITIES | | | | | |
| Accounts Payable | 6,002 | - | 1,659,867 | - | 1,665,869 |
| Accrued Liabilities | 8,165 | - | 114,779 | - | 122,944 |
| Other Liabilities | - | - | 5,816,518 | 101,923 | 5,918,441 |
| Long-Term Liabilities | - | - | - | - | - |
| Due and Payable Within One Year | - | - | 1,087,968 | - | 1,087,968 |
| Due and Payable After One Year | 5,968 | - | 22,628,250 | - | 22,634,218 |
| Total Liabilities | 20,135 | - | 31,307,382 | 101,923 | 31,429,440 |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Deferred Inflows on ERS Pension | 26,157 | - | 577,488 | - | 603,645 |
| Total Liabilities and Deferred Inflow of Resources | 46,292 | - | 31,884,870 | 101,923 | 32,033,085 |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 888,764 | - | - | 132,110 | 1,020,874 |
| Unrestricted Net Position (Deficit) | 1,142,250 | 16,540 | (169,429) | (88,516) | 900,845 |
| Total Net Position | \$ 2,031,014 | 16,540 | (169,429) | 43,594 | 1,921,719 |

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

COUNTY OF FRANKLIN
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND JUNE 30, 2018

| Functions/Programs Business-Type Activities: | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | | | |
|---|----------------------|-------------------------|--|--|---|---------|-----------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Business-Type Activities | | | |
| | | | | | IDA | CDC | SWMA | RLWPD |
| IDA (FYE 12/31/18) | | | | | | | | |
| Administration | \$ 2,846,266 | 2,515,055 | 25,000 | - | (306,211) | | | |
| | | | | | | | | (306,211) |
| CDC (FYE 12/31/18) | | | | | | | | |
| Administration | 2,788 | - | - | - | | (2,788) | | |
| | | | | | | | | (2,788) |
| SWMA (FYE 6/30/18) | | | | | | | | |
| Landfill Operations | 12,870,744 | 13,152,190 | - | - | | | 281,446 | |
| | | | | | | | | 281,446 |
| RLWPD (FYE 12/31/18) | | | | | | | | |
| Water District Operations | 5,973 | - | - | - | | | | (5,973) |
| | | | | | | | | |
| Total Component Units | \$ 15,725,771 | 15,667,245 | 25,000 | - | | | | (33,526) |
| General Revenues (Expenses): | | | | | | | | |
| Water District Tax Revenues | | | | | - | | - | 20,000 |
| Restricted Investment Earnings | | | | | 20,958 | 2 | 110,603 | - |
| Municipal Subsidies and Grants | | | | | - | - | - | - |
| Total General Revenues | | | | | 20,958 | 2 | 110,603 | 20,000 |
| Change in Net Position | | | | | (285,253) | (2,786) | 392,049 | 14,027 |
| Net Position-Beginning of the Year | | | | | 2,316,267 | 19,326 | (561,478) | 29,567 |
| Prior Period Adjustment | | | | | - | - | - | - |
| Net Position-End of the Year | | | | | \$ 2,031,014 | 16,540 | (169,429) | 43,594 |

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

FEDERAL AWARDS INFORMATION

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COUNTY OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| Federal Funding Agency, Pass Through Agency, and Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Expenditures 2018 | Program Expenditures By Dept. |
|---|---------------------|--|---------------------------------|-------------------|-------------------------------|
| Pass Through Agency - NYS Department of Health and Human Services | | | | | |
| Supplemental Nutrition Assistance Program (SNAP) Administrative Costs | 10.561 | N/A | \$ | <u>548,722</u> | |
| Total U.S. Department of Agriculture | | | | | 548,722 |
| <u>U.S. Department of Health & Human Services:</u> | | | | | |
| Pass Through Agency - NYS Office of the Aging | | | | | |
| Balancing Incentive Program/ SHINE | 93.778 | N/A | | 51,601 | |
| Title III-D | 93.043 | N/A | | 3,633 | |
| Title III-E | 93.052 | N/A | | 35,101 | |
| Aging Cluster: | | | | | |
| III-B | 93.044 | N/A | 66,444 | | |
| Nutrition III-C | 93.045 | N/A | 116,065 | | |
| Commodity Foods-NSIP | 93.053 | N/A | <u>119,319</u> | | |
| Aging Cluster | | | | 301,828 | |
| HIICAP | 93.779 | N/A | | 18,350 | |
| MIPA | 93.071 | N/A | | 13,909 | |
| | | | | | 424,422 |
| Pass Through Agency - NYS Department of Family Assistance | | | | | |
| Social Services Block Grant (Title XX) | 93.667 | N/A | | 439,725 | |
| Temporary Assistance for Needy Families(TANF) | 93.558 | N/A | | 3,123,399 | |
| (INCLUDES FLEXIBLE FUND FOR FAMILY SERVICES) | | | | | |
| Low Income Home Energy Assistance and WRAP | 93.568 | * | N/A | 4,999,877 | |
| Child Care and Development Block Grant | 93.575/93.596 | * | N/A | 1,204,277 | |
| Child Support Enforcement (Title IV - D) | 93.563 | | N/A | 447,353 | |
| Foster Care (Title IV-E) | 93.658 | * | N/A | 1,030,848 | |
| Adoption | 93.659 | | N/A | 9,487 | |
| | | | | | 11,254,966 |
| Pass Through Agency - NYS Health Department | | | | | |
| Medical Assistance Program(Medicaid; Title XIX) | 93.778 | * | N/A | 1,041,574 | |
| Immunization Action Plan | 93.268 | C-025026/C0248291 | | 26,175 | |
| Childhood Lead Poisoning Prevention | 93.994 | C-020606 | | 21,234 | |
| Early Intervention Administration | 84.181 | C-027479 | | 22,762 | |
| Federal Reimbursement/CSHCN | 93.994 | C-021551 | | 18,706 | |
| | | | | | 1,130,451 |
| Pass Through Agency - NYS Office of Mental Health | | | | | |
| Federal Medicaid Administrative Salary Sharing | 93.778 | * | N/A | 90,608 | 90,608 |
| Pass Through Agency - NYS Office of Alcohol and Substance Abuse Services | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | N/A | 66,735 | <u>302,481</u> | 302,481 |
| Pass Through Agency - Health Research Incorporated | | | | | |
| Public Health Emergency Preparedness Program | 93.069 | C-023328 | | 63,691 | |
| HLP and Colorectal | 93.283 | C-028816 | | <u>34,249</u> | |
| | | | | | 97,940 |
| Total U.S. Department of Health and Human Services | | | | | <u>13,300,868</u> |
| <u>U.S. Department of Labor:</u> | | | | | |
| Pass Through Agency - NYS Office of the Aging | | | | | |
| Title V | 17.325 | N/A | | <u>36,871</u> | |
| Total U.S. Department of Labor | | | | | 36,871 |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

U.S. Department of Transportation:**Pass Through Agency - NYS Department of Transportation**

| | | | | |
|--|--------|---------------------|-----------|-----------|
| Public Transportation | 20.509 | N/A | 117,015 | |
| RTAP | 20.509 | N/A | 661 | |
| Formula Grants for Rural Areas | | | | 117,676 |
| Federal Aid Highway Program(HBRR/STP) | 20.205 | * 3337850/390095121 | 1,211,036 | |
| Highway Planning and Construction Cluster | | | | 1,211,036 |
| Ignition Interlock | 20.601 | N/A | 3,460 | |
| Highway Safety Cluster | | | | 3,460 |
| Total U.S. Department of Transportation | | | | 1,332,172 |

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 | C970560/WM17970570 | 61,844 | |
| Homeland Security Grant Program- SHSP-Technical Rescue | 97.067 | T970559 | 14,484 | |
| Law Enforcement Terrorism Prevention Program (LETPP) | 97.067 | N/A | 17,500 | |
| Red Team Exercise- SHSP | 97.067 | WM16180076 | 6,847 | |
| Operation Stonegarden | 97.067 | C181869 | 115,359 | |
| Homeland Security Grant Program | | | | 216,034 |
| FEMA- Winter Storm | 97.036 | N/A | | 3,374 |
| Emergency Management | 97.042 | N/A | | 24,202 |
| Total U.S. Department of Homeland Security | | | | 243,610 |

U.S. Department of Justice:**Pass Through Agency- New York State Division Criminal Justice**

| | | | | |
|---|--------|-----------|--|-------|
| Bullet Proof Vests | 16.607 | N/A | | 1,540 |
| Byrne Discretionary Program (DA) | 16.579 | T103223 | | 3,490 |
| Federal Equitable Sharing | 16.922 | NY016013A | | 3,191 |
| Total U.S. Department of Justice | | | | 8,221 |

| | | | |
|---|----|--------|------------|
| Total Federal Financial Assistance Program Expenditures: | \$ | 66,735 | 15,470,464 |
|---|----|--------|------------|

*** 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, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County of Franklin under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

1. REPORTING ENTITY

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

2. PASS-THROUGH PROGRAMS

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

3. NONMONETARY FEDERAL PROGRAMS

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-monetary programs". During the fiscal year ended December 31, 2018, Franklin County distributed over \$10.4 million worth of food stamps to eligible persons participating in the Food Stamps Program (CFDA Number 10.561). This amount is not included in the schedule of expenditures of federal awards, only the portion for administrative reimbursement and emergency are included

In 2008, the State started to pay for all regular HEAP payments to individuals instead of the County. For 2018, the State paid \$4,647,721 in HEAP benefits to eligible directly

Franklin County residents. This amount is included in the schedule of expenditures of federal awards.

NOTE C - INDIRECT COSTS / INDIRECT COST RATE

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

NOTE D - MATCHING COSTS

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

INTERNAL CONTROL AND COMPLIANCE

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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
County of Franklin
Malone, New York 12953

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 13, 2019. Our report includes a reference to other auditors who audited the financial statements of the Franklin County Industrial Development Agency, the Franklin County Civic Development Agency, the County of Franklin Waste Management Authority, and the Rainbow Lake Water Protection District, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Item noted is 2018-001 (SWMA audit).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Item noted is 2018-002 (SWMA audit).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our testes disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



County of Franklin's Response to Findings

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

Purpose of this Report

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

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

A handwritten signature in dark ink that reads "R.A. Mercer & Co. P.C." in a cursive, flowing script.

West Seneca, New York
August 13, 2018



Kenneth S. Frank, CPA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 the County of Franklin's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Franklin complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

A handwritten signature in dark ink, appearing to read "R.A. Mercer & Co. P.C.", written in a cursive style.

West Seneca, New York
August 13, 2019

**COUNTY OF FRANKLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditors Results

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☒ yes ☐ no

Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major programs;

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

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

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

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|--|
| 93.568 | Low Income Home Energy Assistance and WRAP |
| 20.205 | Federal Aid Highway Program (HBRR/STP) |
| 93.658 | Foster Care (Title IV-E) |
| 93.778 | Medical Assistance |
| 93.575/93.596 | Child Care and Development Block Grant |

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

2018-001 (2015-001) Deficiencies in the Design of Controls over financial statement preparation (Solid Waste Management Authority) (Material Weakness)

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

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

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

2018-002 (2015-002) Segregation of Duties (Solid Waste Management Authority) (Significant Deficiency)

Condition: We noted that cash receipts are collected by the same person who has access to all of the accounting records. The Authority's bookkeeper collects all cash and deposits the receipts each day and prepares the bank reconciliations. The bookkeeper also handles cash disbursements and the creation of new vendors. The bookkeeper has access to the payroll system and is entering employee time and processing payroll. This represents a segregation of duties problem. Additionally, the bookkeeper is responsible for assigning user rights and passwords in the scale software system.

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

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

Section III – Federal Award Findings and Questioned Costs

No Findings Over Federal Awards

**COUNTY OF FRANKLIN
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The following items were audit findings noted in the December 31, 2017 audit report.

2017-001 (2015-001) Deficiencies in the Design of Controls over financial statement preparation (Solid Waste Management Authority) (Material Weakness)

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

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

Current Status: This comment is reported on again as 2018-001.

2017-002 (2015-002) Segregation of Duties (Solid Waste Management Authority) (Significant Deficiency)

Condition: We noted that cash receipts are collected by the same person who has access to all of the accounting records. The Authority's bookkeeper collects all cash and deposits the receipts each day and prepares the bank reconciliations. The bookkeeper also handles cash disbursements and the creation of new vendors. The bookkeeper has access to the payroll system and is entering employee time and processing payroll. This represents a segregation of duties problem. Additionally, the bookkeeper is responsible for assigning user rights and passwords in the scale software system.

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

Current Status: This comment is reported on again as 2018-002.

The following item is an instance of noncompliance

2017-003 (2016-005) (Debt Service Reserve Requirement Compliance (Solid Waste Management Authority) (Significant Deficiency)

Condition and Criteria: 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. At June 30, 2017, the Authority was underfunded by approximately \$80,000.

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

Current Status: This comment has been cleared.

**STATE DEPARTMENT OF TRANSPORTATION
REQUIRED SUPPLEMENTAL INFORMATION**

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

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

Compliance

We have audited the compliance of the County of Franklin with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on each of its state transportation assistance program tested for the year ended December 31, 2018. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questions costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the County of Franklin complied in all material respects with the requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2018.

Internal Control over Compliance

The management of the County of Franklin is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the County of Franklin's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing

an opinion on compliance for each state transportation assistance program tested and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin internal control over compliance.

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

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

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the County of Franklin as of and for the year ended December 31, 2018 and have issued our report thereon dated August 13, 2019. 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.

A handwritten signature in dark ink that reads "R.A. Mercer & Co. P.C." in a cursive, stylized script.

West Seneca, New York
August 13, 2019

**COUNTY OF FRANKLIN
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2018**

| Program Title | NYDOT | Expenditures |
|--|---------------------------------|---------------------|
| | Contract/Ref. Number | |
| CHIPS Capital Reimbursement Project | 720000 | \$ 2,248,238 |
| Marchicelli/bond Match for Federal Aid Highway | PIN775336.121 | 1,394 |
| | PIN775358.121 | 15,432 |
| | PIN775373.121 | 9,328 |
| State Transit Operating Assistance (STOA) | | 63,352 |
| | | <u>798,969</u> |
| Total | | <u>\$ 3,136,713</u> |

COUNTY OF FRANKLIN
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2018

A. General

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

B. Basis of Accounting

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

C. Indirect Costs

No indirect costs allocated to any of these projects.

D. Matching Costs

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

| | |
|---------------|---------|
| PIN775336.121 | \$465 |
| PIN775358.121 | \$5,144 |

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, 2018**

Summary of Audit Results:

Internal Control over state transportation assistance expended:

| | |
|---|---------------|
| Material weakness(es) identified | No |
| Reportable conditions identified that are not considered to be material weakness(es)? | None reported |

| | |
|--|------------|
| Type of auditor's report issued on compliance for programs tested: | Unmodified |
|--|------------|

Identification of State transportation Assistance Programs tested:

Name

CHIPS- Capital Reimbursements
State portion of Marchicelli
State Transit Operating Assistance (STOA)

Compliance Findings and Questioned Costs:

No matters were reported.