

**COUNTY OF FRANKLIN
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County, New York)
REPORT ON
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors
County of Franklin Industrial Development Agency
(A Component Unit of Franklin County, New York)
Malone, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Franklin Industrial Development Agency (the "Agency"), a component unit of Franklin County, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



INDEPENDENT AUDITORS' REPORT – continued

Auditor's Responsibility-continued)

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County of Franklin Industrial Development Agency, as of December 31, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

We draw attention to Note 11 in the notes to the financial statements which disclose the effects of County of Franklin Industrial Development Agency's adoption of the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–10, the schedule of Agency's proportionate share of the pension liability – New York State and Employees' Retirement System on page 26, and the schedule of employer contributions – New York State and Local Employees' Retirement System on page 27, 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.



INDEPENDENT AUDITORS' REPORT - continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, on our consideration of the County of Franklin Industrial Development Agency'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 Industrial Development Agency's internal control over financial reporting and compliance.

Crowley & Halloran CPAs, P.C.

March 7, 2016

**COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF FRANKLIN COUNTY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The following is a discussion and analysis of the County of Franklin Industrial Development Agency's (Agency) financial performance for the year ended December 31, 2015. It is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. The Agency's financial statements and notes to the basic financial statements included in this report were prepared in accordance with GAAP (Generally Accepted Accounting Principles), applicable to governmental entities in the United States of America for General Fund types.

INTRODUCTION

Our discussion and analysis of the financial performance of the County of Franklin Industrial Development Agency (IDA) provides an overview of the Agency's financial activities for the year ended December 31, 2015. It should be read in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The IDA's financial statements for December 31, 2015 reflect the implementation of GASB 68, Accounting and Financial Reporting for Pensions. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for pensions. This Standard requires the inclusion of the Agency's proportionate share of the ERS net pension liability, pension expense, and pensions deferred inflows and outflows. As discussed in the notes to the financial statements, beginning net position has been restated for January 1, 2015 to reflect the cumulative effect of the change in this accounting principle. The 2014 amounts in this management's discussion and analysis have not been restated for this implementation.

In 2015, the IDA focus was on the following major areas: Comprehensive Economic Development Strategy (CEDS), Resource Development, Marketing, Buildings, and Payment-in-Lieu-of-Taxes (PILOT) Applications.

COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDS)

- On behalf of Franklin County, the IDA completed a Comprehensive Economic Development Strategy (CEDS). This was adopted by Franklin County early in 2015 and filed with the U.S. Economic Development Administration (EDA). This enables Franklin County to apply for and receive funding from the EDA for certain infrastructure and economic development projects.

RESOURCE DEVELOPMENT

- Recognizing that ready access to organized information helps the Agency carry out its purpose, 2015 also included a focus on data collection. An updated database of major employers was developed in 2015, along with business incentives and loan funds offered by various agencies. Significantly, the IDA also held meetings with various property owners of industrial and commercial sites, and then created separate web pages on the IDA website highlighting these properties as available.

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MARKETING

- To increase visibility of the Agency and to source potential new and expanding business from Canada, the IDA conducted a direct mail campaign as well as pay-per-click on Internet web pages. This has resulted in numerous contacts with Canadian companies interested in discussing an expansion into the United States. A relationship with one company in particular (a food manufacturer) has been established, and they have expressed an interest in potentially expanding their operations into the United States, and in visiting Franklin County in the future.
- Marketing via the Agency website continues to be the most valuable method, and the IDA engaged Ad Workshop to conduct a Search Engine Optimization Audit. The IDA has continued to update its website, which shows an increase in web traffic with visitors staying longer on each page, especially from Canada. Facebook and LinkedIn are also regularly maintained and are part of the Agency marketing materials. In addition, a 2015 Social Media Comparison of all IDAs in New York State shows the IDA does well in this area.

BUILDING

- The IDA owns large buildings that are not income-producing and which are listed for sale. One of these buildings was sold in 2014 (the former Cleyn & Tinker building in Malone, NY), leaving a deficiency balance to the Franklin County Local Development Corporation (the LDC) which had financed the purchase in 2006. Sale proceeds were applied to the loan.
- A factory (60,000 sq ft) and a warehouse (24,000 sq ft) in the Town of Bombay continue to generate a great deal of interest. These buildings were appraised in 2015 by Varley Appraisal Group.
- An additional warehouse (7,000 sq ft) in the Malone Industrial Park is rented to JCEO, an organization providing food to food pantries. The valuation and lease rate for this building has been contentious in 2014, but the IDA obtained a new appraisal and lowered the lease rate. JCEO continues to rent this building and is giving consideration to a purchase.

PILOT APPLICATIONS

- 2015 was an active year for discussion, but just one transaction completed – assisting Branch Commercial Development with a refinance of their Holiday Inn Express in Malone.
- Several companies have recently initiated discussions with the IDA for a PILOT Agreement. One of these companies, Agri-Mark, submitted an application for an approximately \$30 M modernization of their cheese plant in Chateaugay. This was placed on hold when they did not receive the full amount of a grant they applied for through the Regional Council CFA process, but discussions continued with Empire State Development and they were subsequently awarded additional funds, allowing the project to proceed.
- EDP Renewals has also submitted an application for the Jericho Rise Wind Farm, an approximately \$156 M project in the towns of Chateaugay and Bellmont. Also in process is an updated Sales and Use Tax Exemption Letter requested by St. Lawrence Gas, along with a potential request to revise their pilot.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(CONTINUED)**

BACKGROUND INFORMATION

In 1969, New York State adopted the Industrial Development Agency Act. The Act defines Industrial Development Agency's (IDAs) and sets forth their organization and powers. IDAs are independent public benefit corporations. They are created to promote, develop, encourage and assist industrial, manufacturing, warehousing, commercial, research and recreational facilities to advance job opportunities, health, and economic welfare of the people of the State of New York. Each IDA is a non-profit government at the request of one or more municipalities. IDAs carry out their mandate by creating projects that offer financial incentives to attract, retain and expand businesses within their jurisdiction. To achieve these goals, an IDA can buy, sell and lease property and issue debt. Businesses wishing to obtain financial assistance typically apply to an IDA. The assistance granted to these businesses generally includes the issuance of a low interest Industrial Development Revenue Bond, and exemptions from real property tax, mortgage recording tax, and sales and use tax. The bonds issued are not obligations of the municipality or the State. As part of the transaction, the IDA generally takes title to the project's real property. In doing so, the IDA is not required to pay taxes or assessments on any property it acquires or that is under its jurisdiction, control, or supervision. Usually, this benefit is, in effect passed through to the assisted business. A portion of the local real property tax exemption is usually recaptured in the form of Payments in Lieu of Taxes (PILOTS).

The assisted business typically agrees to make PILOTS, which generally are significantly less than the real property taxes which are abated. In many cases, the financing of an IDA sponsored project takes the form of a lease-purchase agreement with the business. The IDA sells its bonds and used the proceeds to acquire or construct the project for the business. Upon completion, the project is leased to the business for a term equal to the term of the IDAs bond issue. The annual payment from the business are then set at an amount sufficient to pay the annual principal and interest on the IDA bonds. Since IDAs are considered governmental agencies, property acquired by them or under their control has tax-exempt status. The business usually has the option to purchase the project for a nominal fee at the end of the financing term.

IDAs may also provide financial assistance through "straight-lease" transactions. Under such arrangements, the IDA generally would take title to property of a project occupant, thereby entitling the property to tax exemptions, with no additional financial assistance provided through the proceeds of the IDA bonds.

The Board of the IDA, consisting of between three and seven members, is generally appointed by the governing body of its sponsoring municipality. IDA decisions affect the school districts and other local governments in the area in which the IDA operates. The IDA tax exemption policies are often a concern of these taxing jurisdictions, particularly school districts. The major taxing jurisdictions which are affected by IDA decisions may not be represented in the IDA membership and, therefore, may have little input into IDA decisions which affect their tax bases and revenues streams. Accordingly, provisions of the General Municipal Law require each IDA to establish a uniform tax exemption policy with input from affected tax jurisdictions to provide guidelines for claiming real property tax, mortgage recording tax, and sales tax exemptions. The IDA must also establish a procedure from its uniform tax exemption policy and provide written notification of the reasons for the deviation to affected taxing jurisdictions.

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(CONTINUED)**

In 1993, legislation was passed altering the powers of IDAs. The main focus of the legislation addressed the issue of making IDAs more accountable by requiring them to:

- Submit a written payment in lieu of tax agreements, including payment allocation, to taxing jurisdictions;
- File real property tax exemptions with county chief executive officers and school districts;
- Submit data on outstanding projects annually to the New York State Comptroller's Office;
- Hold a public hearing for all projects in excess of \$100,000; and
- Adhere to the same conflict of interest code of ethics as municipalities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which are composed of the basic financial statements, the notes to the financial statements and other supplemental information as described below. The financial statements of the agency report information about the Agency using accounting methods similar to those used by private sector companies.

Prior year data is provided in this management's discussion and analysis for comparison.

These statements offer short and long-term financial information about its activities. Responsibility for the completeness and fairness of the information contained rests with the IDAs management. The Agency's annual report consists of three parts: management's discussion & analysis, the basic financial statements, and notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis (MD&A). It precedes the financial statements and its purpose is to put current financial performance in perspective relative to past performance and future expectations.

BASIC FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all the Agency's assets, deferred outflows, liabilities, and deferred inflows with the difference between the four reported as net position. Over time, increases and decreases in net position will serve as a useful indicator of whether the financial position of the IDA is improving or deteriorating.

The Statement of Cash Flows provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital, and non-capital financing activities.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found in this report after the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents supplemental schedules which are presented for purposes of additional analysis only.

FINANCIAL ANALYSIS OF COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY AS A WHOLE

The Agency applied Governmental Accounting Standards Board (GASB) Statement No. 68 and No. 71 in this report.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets and deferred outflows exceeded liabilities and deferred inflows for the Agency by \$879,025 for a 23.5% decrease from the prior year restated for prior period corrections.

A large portion of the Agency's net position reflects their investment in capital assets such as land, buildings & improvements and equipment.

The balance of unrestricted net position of \$181,943 may be used to meet the Agency's ongoing obligations to both citizens and vendors. At the end of the current fiscal year, the Agency is able to report a positive balance in unrestricted net position.

Condensed Statement of Net Position

	<u>Total IDA</u>		<u>Percentage</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current and Other Assets	\$ 177,718	\$ 418,031	(57.5%)
Capital Assets			
Land	154,794	154,794	-
Other Capital Assets	817,854	851,418	(3.9%)
Deferred Outflows of Resources	<u>26,902</u>	<u>-</u>	100.0%
Total Assets & Deferred Outflows of Resources	<u>\$ 1,177,268</u>	<u>\$ 1,424,243</u>	(17.3%)
Liabilities			
Current	\$ 10,447	\$ 12,800	(18.4%)
Other Current Liabilities	<u>287,796</u>	<u>261,821</u>	9.92%
Total Liabilities	<u>298,243</u>	<u>274,621</u>	8.6%
Net Position			
Net Investment in Capital Assets	697,082	744,391	(6.4%)
Restricted for:			
Capital Outlay	-	-	
Unrestricted	<u>181,943</u>	<u>405,231</u>	(55.1%)
Total Net Position	<u>879,025</u>	<u>1,149,622</u>	(23.5%)
Total Net Position and Liabilities	<u>\$ 1,177,268</u>	<u>\$ 1,424,243</u>	(17.3%)

Changes in Net Position

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(CONTINUED)**

The Agency's fiscal year 2015 revenues totaled \$37,626. Rental and financing activities were the primary sources of revenue. The remainder came from other miscellaneous sources. Revenues in 2014 totaled \$63,438, this included gains from the sale of the building of \$17,447.

The total cost of all services totaled \$373,934 for fiscal year 2015. These expenses are predominately related to operations.

Changes in Net Position from Operating Results

	<u>Total</u>		<u>Total</u>
	<u>2015</u>	<u>2014</u>	<u>Percentage</u>
			<u>Change</u>
Revenues			
General Revenues			
Operating Revenues	\$ 37,580	\$ 18,867	99.2%
Non-Operating Revenue	<u>46</u>	<u>44,571</u>	(99.9%)
Total Revenues	<u>37,626</u>	<u>63,438</u>	(40.7%)
Expenses			
Operating Expenses	296,974	392,274	(24.2%)
Non-Operating Expenditures	<u>13,745</u>	<u>24,538</u>	(44.0%)
Total Expenses	<u>310,719</u>	<u>416,812</u>	(25.5%)
(Decrease) in Net Position	\$ 273,093	\$ 353,374	22.7%

CAPITAL ASSETS & DEBT ADMINISTRATION

The Agency's investment in capital assets as of December 31, 2015 amounts to \$972,648 (net of accumulated depreciation). This investment in capital assets includes land, buildings & improvements and equipment. The total decrease in the Agency's investment in capital assets for the current fiscal year was \$33,564.

Major capital asset events during the fiscal year included the following:

- Depreciation of the Capital Assets \$ 33,564

	<u>Total</u>		<u>Percentage</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	\$ 154,794	\$ 154,794	0.0%
Buildings and Improvements (net of depreciation)	816,518	849,588	(3.9%)
Equipment and Furniture (net of depreciation)	<u>1,336</u>	<u>1,830</u>	(27.0%)
Total	<u>\$ 972,648</u>	<u>\$ 1,006,212</u>	(3.3%)

**COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(CONTINUED)**

At the end of the fiscal year, the Agency had total long-term debt obligations of \$274,621 outstanding, a slight increase from the prior year \$261,821 of long-term obligations outstanding. The proceeds from the sale in 2014 of the former Cleyn & Tinker building in Malone, NY went toward the obligation, leaving a balance of \$261,821. More detailed information about the Agency's long-term liabilities is presented in the notes to the financial statements.

	Total		Percentage Change
	2015	2014	
Franklin County Local Development Corp.	\$ 275,566	\$ 261,821	5.2%
Total	\$ 275,566	\$ 261,821	5.2%

FACTORS BEARING ON THE AGENCY'S FUTURE – PRIORITIES FOR 2016

- Manage the IDA, LDC and CDC to ensure they all operate in accordance with policy and comply with all the directives and regulations of the Authorities Budget Office (ABO), in addition to implementing any requirements of newly enacted Public Authorities Reform Legislation.
- Continue marketing plans to maximize the effectiveness of funding that has been provided for in the annual budgets.
- Continue efforts to sell the Bombay facilities and market properties
- Leverage resources and collaborate with Franklin County's newly formed Office of Economic Development
- Assist Franklin County with updates to the 2015 Comprehensive Economic Development Strategy (CEDS) document.
- Complete a rail spur feasibility analysis for the IDA-owned Bombay facilities on a CSX line, for which the IDA has secured funding through both National Grid and Empire State Development.
- Carry out mission to assist companies with their PILOT and straight-lease transaction requests, which include modernization of the Agri-Mark facility in Chateaugay, Jericho Rise Wind Farm in Chateaugay and Belmont, and also the St. Lawrence Gas natural gas pipeline.

CONTACTING THE COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the County of Franklin Industrial Development Agency's finances to citizens, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Agency's Chief Executive Officer at 10 Elm Street, Suite 2, Malone, New York 12953.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County, New York)
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	2015
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 160,898
Accounts and Grants Receivable	-
Prepaid Expenses	16,820
Total Current Assets	177,718
Noncurrent Assets:	
Property, Plant, and Equipment	
Buildings	1,285,948
Furniture and Equipment	34,808
	1,320,756
Less Accumulated Depreciation	(502,902)
	817,854
Land	154,794
Net Property, Plant, and Equipment	972,648
Total Assets	1,150,366
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows	26,902
Total Deferred Outflows of Resources	\$ 26,902
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 4,395
Accrued Liabilities	6,052
Pension Liability	12,230
Current Installments of Long-term Debt	275,566
Total Current Liabilities	298,243
Noncurrent Liabilities:	
Note Local Development Corporation	-
Total Noncurrent Liabilities	-
Total Liabilities	298,243
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	-
Total Deferred Inflows of Resources	-
NET POSITION	
Unrestricted	181,943
Net Investment in Capital Assets	697,082
Total Net Position	\$ 879,025

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

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(A Component Unit of Franklin County, New York)
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015
Operating Revenues:	
Charges for Services	\$ 500
Rental and Financing Income	37,080
Gain on Sale of Property	-
Other Operating Revenues	-
Total Operating Revenues	37,580
 Operating Expenses:	
Salaries and Wages	122,948
Other Employee Benefits	61,028
Professional Service Contracts	17,744
Supplies and Materials	40,009
Depreciation and Amortization	33,564
Other Operating Expenses	21,681
Total Operating Expenses	296,974
Operating Income (Loss):	(259,394)
 Non-operating Revenues (Expenses):	
Interest Income	30
State Subsidies and Grants	16
Municipal Subsidies and Grants	-
Public Authority Subsidies	-
Interest and Financing Charges	(13,745)
Total Non-operating Revenues (Expenses)	(13,699)
Change in Net Position	(273,093)
Net Position - Beginning of Year as Previously Stated	1,163,671
Restatement - Prior Period Adjustment/Change in Accounting	(11,553)
Net Position - Beginning of Year Restated	1,152,118
 Net Position - End of Year	 \$ 879,025

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

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County, New York)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015
Cash Flows from Operating Activities	
Cash Received from Providing Services	\$ 46,377
Payments to Suppliers	(78,939)
Payments for Salaries and Benefits	(195,474)
Net Cash Used by Operating Activities	(228,036)
Cash Flows from Noncapital Financing Activities	
Principal Payments of Debt	-
Reimbursement of Expenses	-
Net Cash Used by Noncapital Financing activities	-
Cash Flows from Investing Activities	
Interest Received on Deposits and Cash Equivalents	30
Proceeds from Disposal of Building	-
Net Cash Provided by Investing Activities	30
Net Decrease in Cash and Cash Equivalents	(228,006)
Cash and Cash Equivalents - Beginning of Year	388,904
Cash and Cash Equivalents - End of Year	\$ 160,898
Reconciliation of Operating Income to	
Net Cash Provided (Used) by Operating Activities	
Changes in Net Position	\$ (273,093)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	33,564
(Gain) on Sale of Building	-
Interest Capitalized	13,745
Interest Received	(30)
Change in Deferred Outflow on ERS Pension	(8,047)
Changes in Operating Assets - (Increase) Decrease	
Accounts and Grants Receivable	8,781
Prepaid Expenses	3,526
Changes in Operating Liabilities - Increase (Decrease)	
Change in Pension Liability ERS	(4,129)
Accounts Payable and Accrued Liabilities	(2,353)
Net Cash Used by Operating Activities	\$ (228,036)
Supplemental Data for Noncash Investing and Financing Activities:	
Donated Goods and Services	\$ -
Interest Capitalized	13,745

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

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The County of Franklin Industrial Development Agency (Agency) is a public benefit corporation that was created in 1970 by the Franklin County Board of Legislators under the provisions of Article 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 income taxes. The Agency, although established by Franklin County, New York, is a separate entity and operated independently of Franklin County.

The Board of the Agency is comprised of seven members appointed by the legislature of Franklin County, New York.

The Agency 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 Agency's financial statements have been discretely presented in the County of Franklin's financial statements.

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

ACCOUNTING METHOD

The Agency's financial statements are prepared using the economic resources measurement's focus and the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) for proprietary funds, which are similar to those of private business enterprises. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

The Agency's basic financial statements are presented in conformance with the provisions of GASBS No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"

GASBS No. 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, statement of revenues, expenses, and changes in net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- **Restricted net position** – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Town.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment 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 basis 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.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 2,500	straight-line	40 years
Building improvements	\$ 2,500	straight-line	15-40 years
Vehicles, furniture and equipment	\$ 2,500	straight-line	5-15 years

CASH AND INVESTMENTS

Cash and cash equivalents consist of cash and investments which mature no more than three months after the date purchased.

The Agency's investments policies are governed by state statutes. Agency monies are required to be deposited in FDIC insured commercial banks or trust companies located within the state. The Agency is authorized to use demand accounts and certificates of deposit.

Collateral is required for demand deposits and certificates of deposit 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.

The Agency is required by local law to collateralize any of its cash deposits which are in excess of the Federal Deposit Insurance Corporation limit. At December 31, 2015 all cash deposits were fully collateralized in the Agency's name.

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

BAD DEBTS

Bad debts are recognized by the Agency in the year they are determined worthless. The Agency did not write off any receivables during the year ended December 31, 2015.

COMPENSATED ABSENCES

The Agency allows employees to accumulate annual leave according to employment agreements. This amount is included as an accrued liability in the statement of net position.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PAYMENT IN LIEU OF TAXES (PILOT)

The 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.

INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the 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 of the State. The 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 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.

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.

REVOLVING FUNDS

The Agency established a revolving loan fund offering low interest loans to area businesses. The governing board approved the loans 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.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, investments, accounts receivable, accrued interest, accounts payable, and current portion of long-term debt and bonds payable approximated fair market value because of the short maturity of those instruments.

The carrying values of the Agency's long-term debt and bonds payable approximate market value as terms of the debt reflect current market rates and terms.

TAX-EXEMPT STATUS

The Agency is exempt from federal, state, and local income taxes.

ESTIMATES

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

NOTE 2 - NEW ACCOUNTING STANDARDS

During the year ended December 31, 2015, the Agency adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes procedures for measuring and recognizing the obligations associated with pensions as liabilities and the costs of pensions as expenses, deferred outflows of resources or deferred inflows of resources; identifies the methods and assumptions that would be used to project pension payments, discount projected payments to their present values and attribute those present values to periods of employee services; and amends note disclosure and required supplementary information requirements. This Statement and Statement No. 67, *Financial Reporting for Pension Plans*, establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Agency has also adopted GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 3 - RELATED PARTIES

The County of Franklin Industrial Development Agency (the "IDA") is a public benefit corporation that was created in 1970 by the Franklin County Board of Legislators under the provisions of Article 18A of the General Municipal Law to encourage economic growth and prosperity in Franklin County, New York. The Franklin County Local Development Corporation (the "LDC") was started in 1989 to develop and cultivate a strong economic environment, which supports business and nurtures growth and new investment in the County. The Franklin County Civic Development Corporation (the "CDC") is a corporation established in 2010 to meet the civic bonding needs of colleges, medical and research facilities, libraries, and other not-for-profit corporations to assist with financing needs. The respective Boards of the IDA, LDC, and CDC are substantially the same and activities are closely related.

NOTE 4 - Capital asset balances and activity for the year ended December 31, 2015 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 154,794	\$ -	\$ -	\$ 154,794
Total cost non-depreciable assets	<u>154,794</u>	<u>-</u>	<u>-</u>	<u>154,794</u>
Capital assets that are depreciated:				
Buildings and Improvements	1,285,948	-	-	1,285,948
Furniture & Equipment	<u>34,808</u>	<u>-</u>	<u>-</u>	<u>34,808</u>
Total cost depreciable assets	<u>1,320,756</u>	<u>-</u>	<u>-</u>	<u>1,320,756</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(436,361)	(33,069)	-	(469,430)
Furniture & Equipment	<u>(32,977)</u>	<u>(495)</u>	<u>-</u>	<u>(33,472)</u>
Total accumulated depreciation	<u>(469,338)</u>	<u>(33,564)</u>	<u>-</u>	<u>(502,902)</u>
Net capital assets	<u>\$ 1,006,212</u>	<u>\$ (33,564)</u>	<u>\$ -</u>	<u>\$ 972,648</u>

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 5 - LONG-TERM DEBT

Long-term debt is summarized below:

	2015
Note payable to Franklin County Local Development Corporation, due September 15, 2015, interest accruing at 5 ¼ per annum.	<u>\$ 275,566</u>
Less: current portion	<u>(275,566)</u>
	<u><u>\$ -</u></u>

Interest expense incurred on the above indebtedness was \$13,746 for the year ended December 31, 2015.

NOTE 6 - RETIREMENT PLAN

PLAN DESCRIPTION

The Agency participates in the New York State and Local Employees' Retirement System (ERS) which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which is established to hold all net asset and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 6 - RETIREMENT PLAN (continued)

Contributions

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

2015	\$	23,474
2014	\$	18,855
2013	\$	30,737

The employer contribution rates for the plan's year ending in 2015 are as follows:

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

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

At December 31, 2015, the Agency reported a liability of \$12,230 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Agency's proportion was 0.0003620 percent. For this first year of implementation, the ERS reported no change in the allocation percentage measured as of March 31, 2014.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 6 - RETIREMENT PLAN (continued)

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

For the year ended December 31, 2015, the Agency recognized pension expense of \$22,319. At December 31, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 391	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,124	-
Changes in proportion and differences between contributions and proportionate share of contributions	913	-
Contributions subsequent to the measurement date	<u>23,474</u>	<u>-</u>
Total	<u>\$ 26,902</u>	<u>\$ -</u>

The Agency's had \$26,902 in accrued contributions subsequent to the measurement date that are considered deferred outflows of resources that would be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,		
2016	\$	857
2017		857
2018		857
2019		857
2020		-
Thereafter		-

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 6 - RETIREMENT PLAN (continued)

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014. The actuarial valuation used the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Investment rate of return	7.5%	compounded annually, net of investment expenses including inflation
Actuarial cost method	Entry age normal	
Salary scale	4.9%	indexed by service
Cost of living adjustments	1.4%	annually
Inflation rate	2.7%	

Annuitant mortality rates are based on April 1, 2005 – March 31, 2011 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.30%
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation Indexed Bonds	<u>2</u>	4.00
	100%	

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 6 - RETIREMENT PLAN (continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (Asset)	\$ 81,518	\$ 12,230	\$ (46,266)

Pension plan fiduciary net position

The components of the collective net pension liability of ERS as of March 31, 2015 measurement date were as follows:

Total pension liability	\$ 164,591,504,000
ERS fiduciary net position	<u>161,213,259,000</u>
Employers' net pension liability	<u>\$ 3,378,245,000</u>
ERS fiduciary net position as a Percentage of total pension liability	<u>97.9%</u>

Employer contribution to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. The Agency made an advanced contribution to ERS in December 2015 to take advantage of an offered discount. The contribution covered the ERS retirement year April 1, 2015 to March 31, 2016 and was based on paid ERS wages multiplied by the employers' contribution rate, by tier. As a result the Agency had a prepaid retirement contribution of \$5,869 as of December 31, 2015.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 7 - BROWNFIELD GRANT

The Agency through the New York State Department of Environmental Conservation has received a Brownfield Study Grant to evaluate its Bombay facility. The State will match up to 90% of the cost of the study. Upon the future sale or disposal of the site New York State will be required to be repaid after the agency recoups its 10% of costs. As of December 31, 2015 costs have been reimbursed by New York State in the amount of \$253,808.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

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

During the year ended June 30, 2015 the Agency recognized negative cash flows from operating activities of \$228,006. Management is continuing to find means to ensure that future cash flows from operating activities will be sufficient to allow the Agency to meet its operating costs and debt service obligations.

NOTE 9 - OPERATING LEASES

The Agency occupies office and storage space under an operating lease with the Community Bank, branch at 10 Elm Street, Malone, New York. A new three year lease was entered into commencing May 1, 2015 and terminating April 30, 2018 with an option to renew for an additional three year term. Total expense for rental of office space was \$11,613 in 2015. Future minimum rental payments, assuming exercising the option to renew, are as follows as of December 31, 2015.

	<u>2015</u>
2016	\$ 13,936
2017	13,936
2018	13,936
2019	13,936
2020	<u>13,936</u>
	<u>\$ 69,680</u>

NOTE 10 - LEASES

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 provides at least thirty (30) days written notice.

COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Franklin County New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(CONTINUED)

NOTE 11 - ACCOUNTING CHANGES / RESTATEMENT OF NET POSITION

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. For the year ended December 31, 2015, the Agency implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27. The implementation of Statement No. 68 resulted in the reporting of a deferred outflow of resources, pension liability and deferred inflow of resources related to the Agency’s participation in the Employees’ Retirement Systems. The Agency’s net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 1,149,622
<u>GASB Statement No. 68 implementation:</u>	
Beginning System Liability – Employees’ Retirement System	(16,359)
Contribution subsequent to the measurement date	<u>18,855</u>
Net position beginning of year, as restated	<u>\$ 1,152,118</u>

NOTE 10 - PRIOR PERIOD ADJUSTMENT/RESTATEMENT

Errors were noted in the prepaid liabilities for NYSERS contributions and insurance premiums paid in advance. Accordingly, the Agency has restated the beginning net position in the Statements of Net Position for the net effect of these misstatements, effectively decreasing net position as of January 1, 2015 by \$13,802.

NOTE 11 - SUBSEQUENT EVENTS

The Agency has evaluated events and transactions that occurred between December 31, 2015 and March 7, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
 SCHEDULE OF AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS**

New York State and Local Employees' Retirement System (ERS)

	2015	*
Agency's proportion of the net pension liability (asset)	0.000362	%
Agency's proportionate share of the net pension liability (asset)	\$ 12,230	
Agency's covered-employee payroll	\$ 119,487	
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.24%	
Plan fiduciary net position as a percentage of the total pension liability	97.90%	

* Note - amounts presented for each fiscal year were determined as of the December 31st measurement date as of the prior fiscal year
 Fiscal Year Ended December 31, 2015

(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

**COUNTY OF FRANKLIN INDUSTRIAL DEVELOPMENT AGENCY
 SCHEDULE OF EMPLOYER CONTRIBUTIONS -
 NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS**

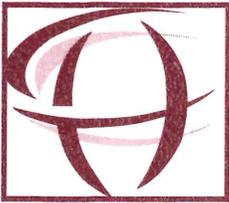
New York State and Local Employees' Retirement System (ERS)

	2015
Contractually required contribution	\$ 23,474
Contributions in relation to the contractually required contribution	23,474
Contribution deficiency (excess)	\$ -
Agency's covered employee payroll	\$ 119,487
Contributions as a percentage of covered employee payroll	19.65%

Note - amounts presented for each fiscal year were determined as of the December 31st measurement date as of the prior fiscal year

(1) Data not available prior to fiscal year 2015 implementation of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

See paragraph on supplementary schedules included in auditors' report.



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Government Audit Quality Center
Employee Benefit Plan Audit Quality Center

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

To the Board of Directors
County of Franklin Industrial Development Agency
(A Component Unit of Franklin County, New York)
Malone, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Franklin Industrial Development Agency, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County of Franklin Industrial Development Agency's basic financial statements and have issued our report thereon dated March 7, 2016.

Internal Control over Financial Reporting

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

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

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



Crowley & Halloran, CPAs, P.C.
Certified Public Accountants, Auditors, and Consultants

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowley & Halloran, CPAs, P.C.

March 7, 2016