

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS  
(and Reports of Independent Auditors)  
December 31, 2012 and 2011

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY

TABLE OF CONTENTS

---

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Management Discussion and Analysis	3-7
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11-15
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Schedule of Findings and Responses	18
Required Supplementary Information -	
Statement of Revenues and Expenses – Budget and Actual	19



PATTISON, KOSKEY, HOWE & BUCCI, CPAs, P.C.

www.pkhbcpa.com

Richard P. Koskey, CPA  
Ned Howe, CPA  
A. Michael Bucci, CPA  
Bradley Cummings, CPA, CVA  
Suzanne E. Muldoon, CPA  
Nancy K. Patzwahl, CPA  
Matthew H. VanDerbeck, CPA

Reginald H. Pattison, CPA (1910-2002)  
Jon Rath, CPA (Retired)

Gary F. Newkirk, CPA  
Jean Howe Lossi, EA  
N. Thérèse Wolfe, EA  
Carol LaMont Howe, EA

## Independent Auditors' Report

To the Board of Representatives of  
Eastern Rensselaer County Solid Waste Management Authority:

We have audited the accompanying statements of net position of Eastern Rensselaer County Solid Waste Management Authority (a public benefit corporation), as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and cash flows and for the years then ended, and the related notes to the financial statements, which collectively comprise Eastern Rensselaer County Solid Waste Management Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Eastern Rensselaer County Solid Waste Management Authority's 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 an opinion on these financial statements based on our audits. 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. According, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

502 Union Street  
Hudson, NY 12534  
Tel: 518-828-1565  
Fax: 518-828-2672

45 Five Mile Woods Road, Suite 1  
Catskill, NY 12414  
Phone: 518-943-4502  
Fax: 518-943-6532

2880 Route 9, Suite 2  
Valatie, NY 12184  
Tel: 518-758-6776  
Fax: 518-758-6779

340 Main Street  
Saugerties, NY 12477  
Tel: 845-246-3803  
Fax: 845-246-1035

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eastern Rensselaer County Solid Waste Management Authority, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### *Other Matters*

In accordance with *Government Auditing Standards*, we have issued our report dated March 26, 2013 on our consideration of Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-7 and 19 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 evidence sufficient to express an opinion or provide any assurance.

*Rathson, Koskey, Howe & Bucci, CPAs, P.C.*

Valatie, New York  
March 26, 2013

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS

-----

**1. Financial Highlights**

The Authority generated a loss of \$14,724 in 2012 compared to a loss of \$72,004 in 2011. Overall, cash and cash equivalents decreased \$13,563 in 2012 and total net position is \$74,090 at December 31, 2012 compared to \$88,814 at December 31, 2011.

Tipping fees and recycling revenues were \$576,812 in 2012, a 2.64% decrease from the previous year despite an increase in the waste management rate from \$73.26 to \$75.27, from 2011 to 2012, respectively. Tipping fees and recycling revenues comprised approximately 82% and 83% of total revenues in 2012 and 2011, respectively.

Total operating expenses were \$717,288 in 2012, an 8.4% decrease from the previous year. Tipping and recycling expenses were \$578,258 during the year ended December 31, 2012, a 2.3% decrease from the previous year.

Current assets exceeded current liabilities by \$66,746 and \$78,087 at December 31, 2012 and 2011, respectively.

**2. Basic Financial Statements**

Eastern Rensselaer County Solid Waste Management Authority's (ERCSWMA) financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies.

The *Statements of Net Position* present information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the Authority's net position changed during the most recent years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the statements of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

The notes to the financial statements include additional information needed to provide a further understanding of the basic financial statement.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

-----

**3. Financial Statement Analysis**

Statements of Net Position

The Statement of Net Position presents information on ERCSWMA's assets and liabilities, reporting net position at year-end. A condensed summary of ERCSWMA's Statement of Net Position is shown below as of December 31,:

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 167,004	\$ 230,457
Non-current assets		
Capital Assets	7,344	10,727
Total assets	<u>\$ 174,348</u>	<u>\$ 241,184</u>
 <u>Liabilities</u>		
Current Liabilities	<u>\$ 100,258</u>	<u>\$ 152,370</u>
Total liabilities	<u>\$ 100,258</u>	<u>\$ 152,370</u>
 <u>Net Position</u>	 <u>\$ 74,090</u>	 <u>\$ 88,814</u>

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

-----

**3. Financial Statement Analysis (Continued):**

Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position shows the effect of income and expenses on ERCSWMA's net position for the year. This statement is prepared on an accrual basis meaning revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they occur. ERCSWMA's statements for the years ended December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Operating revenues		
Administrative fees	\$ 105,294	\$ 104,160
Tipping and recycling fees	576,812	592,481
Hazardous waste revenue	1,741	5,330
Grant income	12,589	-
Miscellaneous income	6,000	8,629
Total operating revenue	702,436	710,600
Operating expenses		
Salaries and payroll taxes	93,788	91,751
Tipping and recycling expenses	578,258	591,628
Hazardous waste expense	10,768	27,533
Education and public relations	2,873	18,932
Other	31,601	53,019
Total operating expenses	717,288	782,863
Operating loss	(14,852)	(72,263)
Non-operating revenue (expense)		
Interest Income	128	259
Total non-operating expense	128	259
Decrease in net position	(14,724)	(72,004)
Net position, beginning of year	88,814	160,818
Net position, end of year	\$ 74,090	\$ 88,814

Accounting for 82% of the operating revenues in 2012 were tipping and recycling fees, which decreased 2.64% and totaled \$576,812.

During 2012, the Authority was awarded \$12,589 of grant money from New York State which significantly impacted the 2012 operating results. The Authority will continue to seek this funding in 2013.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

-----

**3. Financial Statement Analysis (Continued)**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Operating expenses of \$717,288 decreased by \$65,575 in 2012 due mainly to decreased costs associated with tipping and recycling costs, hazardous waste expense and education and public relations. Tipping and recycling costs decreased \$13,370, hazardous waste expense decreased \$16,765, education and public relations decreased \$16,059, equipment repair decreased \$7,120 and bad debt expenses decreased \$6,285. Offsetting these decreases were payroll expenses which increased \$2,037.

Non-operating revenue is derived from interest income on short-term investments, which was down \$131. ERCSWMA maintained three certificates of deposit with a total balance at December 31, 2011 of \$28,589 and maintained two certificates of deposit with a total balance at December 31, 2012 of \$11,291. The certificates of deposit had varying maturities (11 months and 8 months) and interest rates of (.10% and .10%) at December 31, 2012. The certificates of deposit had varying maturities (8 months, 11 months, and 12 months) and interest rates (.10%, .10%, and .10%) at December 31, 2011.

Statement of Cash Flows

The statement of cash flows presents information on the major sources and uses of cash during the year showing net cash provided or used in operating activities.

Net cash used for operating activities (\$30,861) increased \$6,660 from the prior year.

**4. Authority Budget:**

In November 2011, ERCSWMA adopted a 2012 budget projecting revenues, exclusive of tipping and recycling fees, at \$190,094. Actual 2012 revenues, exclusive of tipping and recycling fees, totaled \$125,752. Much of this decrease was a result of not receiving a budgeted education grant of \$64,500. Revenue earned from tipping and recycling fees are directly offset by associated expenses and are not included in the budget calculations.

Operating expenses, exclusive of tipping and recycling expenses, totaled \$139,030 for the year. Budgeted expenditures for 2012 were \$208,994. A large part of the decrease in actual expenditures of \$69,964 was due to a budgeted amount of \$35,000 for purchasing of portable scales for the municipality's transfer stations that did not take place. The Authority also did away with the printing of annual calendars for community members which resulting in actual education and public relations expense of \$16,127 less than budget. Also, the Authority budgeted for \$6,000 in advertising that was intended to help the County fair with their recycling efforts but was put on hold. The Authority also budgeted \$6,900 for a truck rental with the intent of having a truck on site at municipality clean-up days to take donations for the Eastern Rensselaer County Community Warehouse which did end up occurring.

**5. Capital Assets and Long-Term Debt:**

ERCSWMA did not take on any long-term debt in 2012. There were no capital asset additions in 2012. There was one capital asset addition in 2011 for the purchase of a laptop computer for \$513.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

-----

**6. Additional Information:**

This report is prepared for the use of ERCSWMA's audit committee, management, federal awarding agencies and pass through entities, and members of the public interested in the affairs of ERCSWMA. Questions with regard to this financial report or requests for additional information may be addressed to the Executive Director, ERCSWMA, 21 Church Street, Melrose, NY 12121.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
STATEMENTS OF NET POSITION  
December 31, 2012 and 2011

ASSETS

	2012	2011
Current assets:		
Cash and cash equivalents	\$ 23,635	\$ 37,198
Accounts receivable - member towns	115,963	161,630
Grant receivable	12,589	-
Prepaid expenses	3,526	3,040
Certificates of deposit	11,291	28,589
Total current assets	167,004	230,457
Non-current assets:		
Property and equipment, net of \$163,035 and \$159,652 of accumulated depreciation	7,344	10,727
Total assets	\$ 174,348	\$ 241,184

LIABILITIES AND NET POSITION

Current liabilities:		
Accrued expenses	\$ 2,093	\$ 1,879
Accounts payable	87,073	121,215
Due to members - credits	11,092	29,276
Total current liabilities	100,258	152,370
Net position	74,090	88,814
Total liabilities and net position	\$ 174,348	\$ 241,184

See independent auditors' report and notes to financial statements.

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Years ended December 31, 2012 and 2011

	2012	2011
Revenues:		
Administrative fees	\$ 105,294	\$ 104,160
Tipping and recycling fees	576,812	592,481
Hazardous waste revenue	1,741	5,330
Grant income	12,589	-
Interest income	128	259
Miscellaneous income	6,000	8,629
Total revenues	702,564	710,859
Expenses:		
Salaries	87,123	85,236
Payroll taxes	6,665	6,515
Tipping and recycling expenses	578,258	591,628
Hazardous waste expense	10,768	27,533
Professional fees	7,733	7,402
Payroll service	988	862
Education and public relations	2,873	18,932
Rent	6,375	13,575
Office supplies	553	607
Postage	146	134
Conferences and travel	913	2,003
Insurance	8,149	9,964
Equipment repair	-	7,120
Telephone	964	609
Advertising	32	332
Dues and memberships	343	341
Miscellaneous	2,022	463
Depreciation	3,383	3,322
Bad debt expense	-	6,285
Total expenses	717,288	782,863
Change in net position	(14,724)	(72,004)
Net position, beginning	88,814	160,818
Net position, ending	\$ 74,090	\$ 88,814

See independent auditors' report and notes to financial statements.

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Receipts from customers	\$ 717,330	\$ 667,265
Contribution from grant funds	-	16,561
Payments to suppliers	(654,745)	(616,658)
Payments to employees	(93,574)	(91,628)
Interest received	128	259
	<u>(30,861)</u>	<u>(24,201)</u>
Cash flows from investing activities		
Decrease (increase) in certificates of deposit	17,298	(37)
Purchase of equipment	-	(513)
	<u>17,298</u>	<u>(550)</u>
Net decrease in cash	(13,563)	(24,751)
Cash and cash equivalents, beginning of year	37,198	61,949
Cash and cash equivalents, end of year	<u>\$ 23,635</u>	<u>\$ 37,198</u>
Cash flows from operating activities		
Change in net assets	\$ (14,724)	\$ (72,004)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,383	3,322
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	45,667	(54,328)
(Increase) decrease in grants receivable	(12,589)	22,846
Increase in prepaid expenses	(486)	(213)
(Decrease) increase in accounts payable	(34,142)	64,615
(Decrease) increase in due to members - credits	(18,184)	10,993
Increase in accrued expenses	214	568
	<u>\$ (30,861)</u>	<u>\$ (24,201)</u>

See independent auditors' report and notes to financial statements.

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
-----

**1. Nature of Organization:**

The Eastern Rensselaer County Solid Waste Management Authority, (the "Authority") was formed in December 1989, and constitutes a public benefit corporation, created by and having the powers and functions set forth pursuant to, Sections 2050 through 2050-tt of the Public Authorities Law of the State of New York, as amended. The principal office is located in Melrose, New York. The Authority's board consists of one member appointed by each legislative body of the towns constituting the Authority (maximum of seventeen and a minimum of six). The current membership of the Authority consists of seven municipalities.

The Authority's present function is to research and provide alternative, efficient methods of disposing solid waste and to provide recycling services to member towns.

**2. Summary of Significant Accounting Principles:**

Basis of Accounting:

The financial statements of the Authority have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was issued by GASB on December 30, 2010 was adopted by the Authority in 2012. The government-wide financial statements include the Authority's only governmental fund (single enterprise fund).

The GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," which became effective this year for the Authority. Statement 63 changed how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

As a result of Statement 63, financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report *net position* instead of net assets.

Revenues:

Revenues consist of tipping and recycling fees charged member towns for waste removal services provided by the Authority. Revenues also include administrative fees charged the member towns to off-set the Authority's operating expenses. Grant income for programs provided by the Authority on behalf of the member towns for education and waste removal services are also included as operating revenue.

The Authority's revenues are mainly comprised of administrative fees and other revenues from its seven member municipalities.

Cash and Cash Equivalents:

Cash and cash equivalents include cash in banks and highly liquid investments with maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

-----

**2. Summary of Significant Accounting Principles (Continued):**

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Concentrations of Credit and Market Risk:

Financial instruments that potentially expose the Authority to concentrations of credit and market risk consist primarily of cash equivalents and certificates of deposit. Cash equivalents are maintained at FDIC insured financial institutions and credit exposure is limited to two institutions. As of December 31, 2012 and 2011, all cash and cash equivalents were covered by FDIC insurance. The Authority has not experienced any losses with respect to its cash and cash equivalents.

Investments are exposed to various risks, such as interest rate, market, and credit. As of December 31, 2012 and 2011, all investments were in certificates of deposit with maturities ranging from 8 to 12 months. All certificates of deposit were covered by FDIC insurance as of December 31, 2012 and 2011.

Income taxes:

The Authority is not subject to Federal or State income taxes. Accordingly, no provision for taxes has been made in the accompanying financial statements.

Property and equipment:

Recycling and office equipment and website development costs valued at \$500 or more are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 7 years for equipment and 5 years for website development costs. Depreciation expense for 2012 and 2011 totaled \$3,383 and \$3,322, respectively.

Fair value measurements:

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC 820-10 "Fair Value Measurements". FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute.

Budgets:

The budget policies are as follows:

In November of each year the Executive Director submits a tentative budget to the Board of Directors for the next fiscal year which begins the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing. In October, the budget is available for discussion at a public hearing and ultimately approved by the Board of Directors.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

-----

**2. Summary of Significant Accounting Principles (Continued):**

Fund Balances:

Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) became effective during the year ended December 31, 2011. The Authority is considered an enterprise fund and therefore, presents net position instead of fund balances.

Subsequent Events:

Subsequent events have been evaluated through March 26, 2013, which is the date the financial statements were available to be issued.

**3. Accounts and Grants Receivable:**

Accounts receivable primarily represent amounts due from member towns for tipping fees relating to services performed and are considered by management to be fully collectible within one year.

Grants receivable as of December 31, 2012 was \$12,589. There were no grants receivable as of December 31, 2011.

**4. Certificates of Deposit:**

Investments consists of three certificates of deposit with a total balance at December 31, 2012 and 2011, of \$11,291 and \$28,589, respectively. The certificates of deposit have varying maturities (8 months, 11 months, and 12 months) and all earn interest at .10% at December 31, 2012 and 2011. Two certificates of deposit outstanding in 2011 were extended for similar terms in 2012 and one was cashed in. The certificates of deposit are maintained at a financial institution in Hoosick Falls and are fully insured by the FDIC.

**5. Property and Equipment:**

A summary of property and equipment is as follows as of December 31,:

	2012	2011
Recycling Equipment	\$ 148,600	\$ 148,600
Accumulated Depreciation	(142,630)	(139,764)
	<u>\$ 5,970</u>	<u>\$ 8,836</u>
Office Equipment	\$ 21,164	\$ 21,164
Accumulated Depreciation	(20,313)	(19,796)
	<u>\$ 851</u>	<u>\$ 1,368</u>
Website Development	\$ 615	\$ 615
Accumulated Depreciation	(92)	(92)
	<u>\$ 523</u>	<u>\$ 523</u>

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

-----

**6. Related Party Transactions:**

The Authority is comprised of representatives who are appointed by their respective towns. Substantially all of the Authority's operating revenues are derived from services performed for the member towns.

The Authority leases office space on a month to month basis from Eastern Rensselaer County Community Warehouse, Inc. (ERCCW) under an operating lease agreement. The rental amount was \$700 per month and rent expense was \$3,500 and \$8,400 for 2012 and 2011, respectively. In addition, starting in 2011, the Authority rented storage space on a month to month basis from ERCCW. Rental expense for the storage space was \$2,875 and \$5,175 for the years ended December 31, 2012 and 2011, respectively. During 2012, there were seven months in which the Authority was not charged rent by ERCCW for either space while the warehouse moved to a new location.

During the year ended December 31, 2012, the space the authority rents from ERCCW was sold and ERCCW relocated to a space in Melrose, NY. The Authority relocated to the new building purchased by ERCCW and continued to rent office space from ERCCW in the new building. The Authority no longer rents storage space from ERCCW.

**7. Commitments:**

The Authority is party to a twenty-year service agreement with a company that is contracted to take "acceptable waste" generated within the member communities of the Authority. The Agreement commenced February 20, 1995 and expired November 19, 2012. The agreement was extended for an additional two one-year terms commencing January 1, 2013. The fees charged vary for solid waste and construction and demolition waste. The maximum fees per ton of waste that may be charged under the contract for 1996 and after are \$75.95 multiplied by an inflation factor per ton for solid waste and \$74.00 multiplied by an inflation factor for construction and demolition waste. For the year ended December 31, 2012 and 2011, the Authority paid a rate of \$75.27 and \$73.26 per ton for both solid waste and construction and demolition waste. The Authority paid a total of \$507,158 and \$515,035 to the company for the years ended December 31, 2012 and 2011, respectively.

The Authority is party to a five-year agreement with a company that is contracted to haul waste for member community transfer stations. The five-year contract expired at the end of 2009 and the Authority renewed the contract for another three years. The contract requires annual payments based on "per pull" basis at a rate of \$170.66. This rate was held constant in 2010 with Consumer Price Index adjustments for the following two years. The total paid for these services was \$58,224 and \$68,043 for the years ended December 31, 2012 and 2011, respectively.

See independent auditors' report.

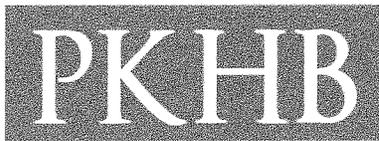
EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

-----

**8. Recent Accounting Standards:**

GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. Statement 65 is effective for the Authority's 2013 financial statements.

See independent auditors' report.



PATTISON, KOSKEY, HOWE & BUCCI, CPAs, P.C.

www.pkhhbcpa.com

Richard P. Koskey, CPA  
Ned Howe, CPA  
A. Michael Bucci, CPA  
Bradley Cummings, CPA, CVA  
Suzanne E. Muldoon, CPA  
Nancy K. Patzwahl, CPA  
Matthew H. VanDerbeck, CPA

Reginald H. Pattison, CPA (1910-2002)  
Jon Rath, CPA (Retired)

Gary F. Newkirk, CPA  
Jean Howe Lossi, EA  
N. Thérèse Wolfe, EA  
Carol LaMont Howe, EA

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*

Independent Auditors' Report

To the Board of Representatives of  
Eastern Rensselaer County Solid Waste Management Authority

We have audited the basic financial statements of Eastern Rensselaer County Solid Waste Management Authority as of and for the year ended December 31, 2012, and have issued our report thereon dated March 26, 2013. 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.

***Internal Control over Financial Reporting***

Management of Eastern Rensselaer County Solid Waste Management Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

502 Union Street  
Hudson, NY 12534  
Tel: 518-828-1565  
Fax: 518-828-2672

45 Five Mile Woods Road, Suite 1  
Catskill, NY 12414  
Phone: 518-943-4502  
Fax: 518-943-6532

2880 Route 9, Suite 2  
Valatie, NY 12184  
Tel: 518-758-6776  
Fax: 518-758-6779

340 Main Street  
Saugerties, NY 12477  
Tel: 845-246-3803  
Fax: 845-246-1035

-16-

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-1 to be a material weakness.

***Compliance and Other Matters***

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

Eastern Rensselaer County Solid Waste Management Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Eastern Rensselaer County Solid Waste Management Authority's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of Eastern Rensselaer County Solid Waste Management Authority in a separate letter dated March 26, 2013.

***Restriction on Use***

This report is intended solely for the information and use of management, Board of Directors, County of Rensselaer, New York, and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Pattison, Koskey, Howe & Rucci, CPAs, P.C.*

Valatie, New York  
March 26, 2013

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year ended December 31, 2012

**Finding 2012-1**

**Material Weakness in Internal Control Over Financial Reporting- Conversion to Accrual Basis**

Criteria:

Management should have a policy in place to ensure that the Authority's books and records are converted to the accrual basis at the end of the year.

Condition:

During the audit, several adjustments were required to convert the Authority's general ledger to the accrual basis of accounting. For example, an adjustment was required to record a receivable of \$12,589 for a grant awarded by New York State during the year. The adjustments required have been material in nature.

Cause:

There is no procedure in place to ensure that all adjustments at year end have been made to convert the Authority's general ledger to the accrual basis of accounting.

Effect:

Non-routine audit adjustments were necessary during the audit as a result of management maintaining their books and records on the cash basis of accounting.

Management's Response:

Management will work with the auditors to develop procedures for adjusting the Authority's general ledger to the accrual basis of accounting beginning with the year ending December 31, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN RENSSELAER COUNTY SOLID  
WASTE MANAGEMENT AUTHORITY  
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
Year ended December 31, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	\$ 105,294	\$ 105,294	\$ -
Hazardous waste revenue	-	1,741	1,741
Grant income	84,500	12,589	(71,911)
Interest income	300	128	(172)
Miscellaneous income	-	6,000	6,000
Tipping and recycling fees	-	576,812	576,812
Total revenues	<u>190,094</u>	<u>702,564</u>	<u>512,470</u>
Expenses:			
Salaries	80,709	87,123	(6,414)
Payroll taxes	7,510	6,665	845
Tipping and recycling expenses	-	578,258	(578,258)
Hazardous waste collection	22,000	10,768	11,232
Professional fees	8,500	7,733	767
Payroll service	950	988	(38)
Education and public relations	19,000	2,873	16,127
Rent	8,400	6,375	2,025
Office supplies	450	553	(103)
Postage	450	146	304
Conferences and travel	1,500	913	587
Insurance	8,925	8,149	776
Equipment repair	35,000	-	35,000
Telephone	800	964	(164)
Advertising	6,000	32	5,968
Truck rental	6,900	-	6,900
Dues and memberships	900	343	557
Miscellaneous	1,000	2,022	(1,022)
Depreciation	-	3,383	(3,383)
Total expenses	<u>208,994</u>	<u>717,288</u>	<u>(508,294)</u>
Total expenses in excess of revenues	<u>\$ (18,900)</u>	<u>\$ (14,724)</u>	<u>\$ 4,176</u>

See independent auditors' report and notes to financial statements.