# Rockland County Solid Waste Management Authority
# (A Component Unit of the
# County of Rockland, New York)

Financial Statements and Supplementary Information

Year Ended December 31, 2014

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**Rockland County Solid Waste Management Authority**
**(A Component Unit of the County of Rockland, New York)**

Financial Statements and Supplementary Information
Year Ended December 31, 2014

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O'CONNOR DAVIES

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## Independent Auditors' Report

**The Members of the Rockland County**
**Solid Waste Management Authority, New York**

### Report on the Financial Statements

We have audited the accompanying financial statements of the Rockland County Solid Waste Management Authority (a component unit of the County of Rockland, New York) ("Authority") which comprise the statement of net position as of December 31, 2014 and the related statement of activities and cash flows for the year ended, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

### *Report on Comparative Information*

We have previously audited the Authority's December 31, 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 25, 2014. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2013 is consistent in all material respects, with the audited financial statements from which it has been derived.

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

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are


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appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2014, 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.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress – Other Post Employment Benefits be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2015 on our consideration of the Authority'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 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 in considering the Authority's internal control over financial reporting and compliance.

## Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 18, 2015 on our consideration of the Authority's compliance with Section 2925(3)(1) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

O'Connor Davies, LLP

**O'Connor Davies, LLP**
Harrison, New York
March 18, 2015

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# Rockland County Solid Waste Management Authority

Management's Discussion and Analysis (MD&A)
December 31, 2014

## Introduction

The discussion and analysis of the Rockland County Solid Waste Management Authority's financial statements provides an overview of the Authority's financial activities for the year ended December 31, 2014. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

## Financial Highlights

Comparative revenues, expenses and changes in net position are summarized below. Refer to the Authority's basic financial statements for the complete Statement of Activities.

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Operating Revenues | $ 47,964,705 | $ 45,529,936 |
| Non-operating Revenues | 1,755,408 | 1,276,547 |
| Total Revenues | 49,720,113 | 46,806,483 |
| Operating Expense | 43,996,650 | 42,841,651 |
| Non-Operating Expense, net | 2,808,125 | 2,896,644 |
| Total Expenses | 46,804,775 | 45,738,295 |
| Change in Accounting Estimate | 1,689,933 | - |
| Increase in Net Position | $ 4,605,271 | $ 1,068,188 |

As of December 31, 2014, total assets reported by the Authority were $90.6 million and total liabilities were $66.4 million. Net Position, which represent the equity of the Authority, increased by $4,605,271. The increase in net position was due to several factors. During 2014, prices of commodities sold at the Materials Recovery Facility (MRF) were slightly greater than anticipated and corresponding MRF expenditures was $306,144 less than anticipated due to less than anticipated tonnage processed. In addition, two extraordinary items totaling $2.8 million contributed to the increase in Net Position. This includes a $1.1 million gain on the impairment of a capital asset which resulted from the decrease of accumulated depreciation and a $1.7 million change in accounting estimate. The long term liability for Post Employment Benefits was reduced by modifying the actuarial assumptions and discount rate.

## Overview of the Financial Statements

The financial statements of Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The objective of these standards is to enhance the understandability and usefulness of the external financial reports issued by Public Authorities.

The financial statement presentation consists of *a Statement of Net Position, a Statement of Activities, a Statement of Cash Flows* and accompanying *Notes to Financial Statements.* These statements provide information on the financial position of the Authority and the financial activity and results of its operations during the year. A description of these statements follows:

The Statement of Net Position presents information on all of 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 whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing the change in the Authority's net position during the most recent fiscal year. 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 reported in this statement include items that will result in cash received or disbursed in future fiscal periods (e.g., the receipt of amounts due from other governments or the payment accrued for compensated absences).

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.

## Statement of Net Position (Condensed)

The statement of net position presents the financial position of Authority at the end of its fiscal year. A more detailed Statement of Net Position appears in the Authority's basic financial statements.

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Current Assets | $ 26,570,287 | $ 24,186,943 |
| Capital Assets, Net | 36,224,593 | 38,266,816 |
| Other Non-Current Assets | 27,866,061 | 28,450,072 |
| Total Assets | 90,660,941 | 90,903,831 |
| Deferred Outflows of Resources | 99,047 | 123,707 |
| Current Liabilities | 11,700,742 | 11,535,866 |
| Non-Current Liabilities | 54,742,864 | 59,780,561 |
| Total Liabilities | 66,443,606 | 71,316,427 |
| Net Position | $ 24,316,382 | $ 19,711,111 |

## Current Assets

Current assets as of December 31, 2014 are primarily composed of cash and cash equivalents (restricted and unrestricted) and investments totaling $22.4 million. The remaining $4.2 million consists of receivables from various sources such as customers (haulers, other governments), state grants and prepaid expenses.

## Other Non-current Assets

Other non-current assets as of December 31, 2014 are composed of restricted cash and cash equivalents totaling $12.4 million and intangible assets totaling $15.5 million.

## Deferred Outflows of Resources

Deferred outflows of resources consist of deferred amounts on refunding bonds in the amount of $99,047.

## Current Liabilities

Current liabilities consist mainly of accounts payable and accrued liabilities totaling $7.6 million. The majority of the current liabilities increase over prior year was due to a increase of accruals for 2014. Thus, there was a increase in the outstanding current portion of accounts payable over the prior year of approximately $.7 million. The current portion of bonds payable is $3.98 million.

## Non-Current Liabilities

There are primarily two components of non-current liabilities. As of December 31, 2014, the non-current portion of bonds payable was $51.07 million. In addition, the Authority's post employment benefit obligation payable as per Governmental Accounting Standards Board (GASB) 45 is $3,671,028; a decrease of $1,196,391 due to a change in accounting estimate.

## Capital Assets, Net

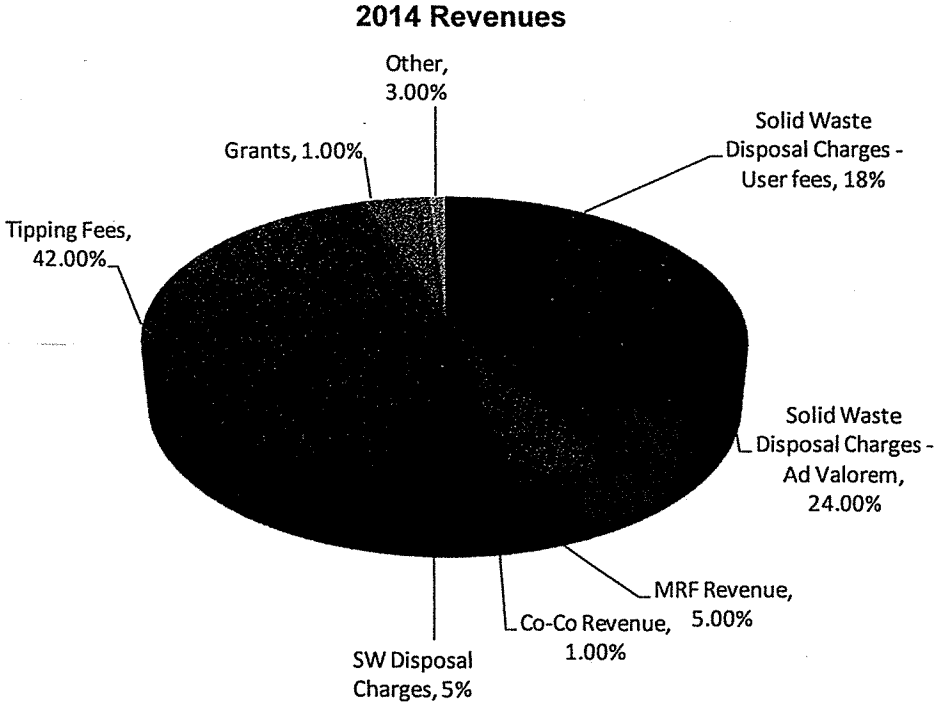
The Authority began to depreciate its capital assets in July 1998. The capitalization threshold was established at $5,000 per unit. This resulted in a depreciation expense for the year ended December 31, 2014 of $3,524,853 and a total accumulated depreciation of $42,474,107.

A comparative summary of capital assets is as follows:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Capital Assets | | |
| Land | $ 6,718,705 | $ 6,200,325 |
| Construction-in-Progress | 1,987,562 | 1,682,088 |
| Buildings and Land Improvements | 50,743,935 | 52,409,427 |
| Machinery and Equipment | 19,248,498 | 19,023,598 |
| Total Capital Assets | 78,698,700 | 79,315,438 |
| Less Accumulated Depreciation | | |
| Buildings and Land Improvemets | 28,809,650 | 28,287,705 |
| Machinery and Equipment | 13,664,457 | 12,760,907 |
| Total Accumulated Depreciation | 42,474,107 | 41,048,612 |
| Net Capital Assets | $ 36,224,593 | $ 38,266,826 |

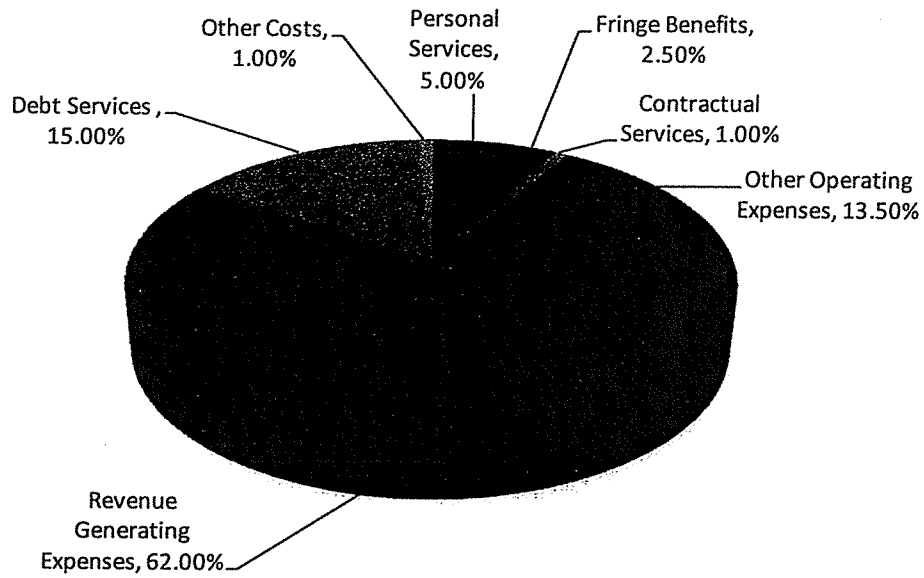
**Statement of Activities**

The statement of activities presents the Authority's results of operations. The Authority also includes supplemental information regarding detail of revenues and expenses as it relates to the adopted Authority budget. Refer to the Authority's basic financial statements for the complete listing. Total operating revenues of the Authority for year ended December 31, 2014 were $47.9 million. Non operating revenues totaled approximately $1.76 million.



Solid Waste Disposal Charges (both user fees and ad valorem) represented 42% of total revenues. Revenues from the Materials Recovery Facility, Co-composting Facility and collection agreements administered by the Authority represented 11% of total revenues. Tipping fees represented 42% of total revenues. Non-operating revenues (bank interest, restricted funds, interest, interest subsidy and gain on impairment of asset) represented approximately 3% of total revenues. Other revenues, such as grants, represent approximately 1% of total revenues.

**2014 Expenses**




Total operating expenses for the year were $43.9 million. Non-operating expenses for the year were $2.8 million. Other operating expenses represented 13.5% of expenses. Personnel and fringe benefit costs represented 7.5% of expenses Revenue generating expenses (those related to the operation of the Authority's facilities) represented 62% of expenses. Debt Service represented 15% of total expenses.

## Economic Factors that will Affect the Future

*Transfer Station:*

On May 20, 2008, the County Legislature, pursuant to language proposed by the Authority, enacted county-wide flow control (the "Flow Control Act"). On June 19, 2008, the County Executive signed the Flow Control Act and caused it to be filed pursuant to State law upon which it was designated as Local Law No. 2 of 2008 of the County. County-wide flow control allows the Authority to manage all waste generated in the County so that alternative waste processing technologies can be implemented in the County with the goal of reducing waste disposed in landfills. Under the Flow Control Act, the County Department of Health has been designated as the agency charged with enforcement of the Flow Control Act. The Authority has entered into an inter-municipal agreement with the County for reimbursement of personnel and operating expenses in conjunction with Flow Control. Pursuant to the Flow Control Act, the Authority prepared an implementation schedule or schedules which list those portions of the Flow Control Act to be

implemented. The Authority has implemented flow control related to municipal solid waste (MSW), yard waste and recyclables. Although the Authority believes that the Flow Control Act will improve its ability to manage the County's solid waste, the Authority's operations and financial model is not dependent on the Flow Control Act. The Authority has operated historically without the benefit of any flow control laws.

The Authority currently has three strategically located transfer stations. They are located in the northern portion of the County in the town of Haverstraw; the southern portion of the County in the town of Clarkstown and the western portion of the County in the town of Ramapo. The Authority has seen an increase in waste tonnage in 2014 as compared to 2013. The Authority will monitor waste trends and economic indicators but the Authority's revenue is not contingent upon any minimum waste tonnage delivered to the facilities and is not impacted by the fluctuation in MSW delivered.

*Materials Recovery Facility:*

There are several factors that impact the revenue generated by the Material Recovery Facility (MRF). The economy, legislation, consumer habits and the fluctuation in commodity pricing are factors that impact revenue generated at the MRF. The NYS legislation that resulted in the enhanced bottle bill has negatively impacted our local recycling revenue by diverting a significant number of water and juice bottles from the Authority's residential curbside recycling initiative. In addition, NYS legislative efforts with respect to product stewardship has changed company packaging which translates into lighter plastic bottles and decreased plastic in the recycling stream. Many consumers have exchanged their daily reading of newspaper and magazines for a digital format. Such changes in consumer habits impact tonnage and thus revenue. However, the downturn in certain commodities due to the factors illustrated above has been offset by an increase in outreach efforts that have had a positive increase in the flow of material into the MRF from commercial businesses - primarily cardboard.

*Co-composting Facility:*

In its contract with the current long term contractor, the Authority was able to obtain a sludge processing guarantee without making any physical plant expansions but with capital improvements/enhancements. This in turn allows the Authority to create capacity both for future growth in its current service area and to increase merchant tonnage at favorable rates. As of December 31, 2012, the Authority had several new customers (merchant tonnage) such as Joint Meeting of Essex and Union Counties Waste Water Treatment Plant and the town of Guilderland in 2013 we added Little Falls, NY Waste Water Treatment Plant. The recycling of sludge (beneficial reuse) is an attractive alternative to many municipal entities that are currently sending sludge to a landfill. The Authority will continue to pursue out-of-county opportunities to maximize revenues. In February, 2014the Co-composting Facility ceased operations due to a roof cave in during a heavy snow storm. The facility is in the process of being repaired and improved. It is expected to be operational in late Spring 2015. The damages are covered by the Authority's Insurance policy.

*Household Hazardous Waste Facility:*

Based on trending analysis, the quantity of material received at the Household Hazardous Waste Facility (HHW) is expected to continue to grow due to several factors, including the increase in e-waste. The ongoing evolution in the television market and the modification to digital television accelerates the obsolescence of existing television units, therefore further accelerating the quantity of e-waste removal. Similar forces are affecting smaller personal items such as calculators, digital video discs (DVDs), cell phones and electronic organizers. New legislation regarding product

stewardship as related to e-waste will impact the facility by significantly increasing the e-waste tonnage collected at the facility. The facility collected 335.4 tons of e-waste in 2014. There was a 50 ton decrease in the recycling of e-waste at the Authority in 2014. This is attributed to competition. Last year other companies located in Rockland County also collected unwanted e-waste. E-waste was banned from landfills as of April 1, 2012 and manufacturers were required to have a program in place that allows for consumers to bring back their e-waste to a drop off center. Our contractor has integrated this State initiative into the RCSWMA residential program at no additional cost to the Authority. The Authority will continue to follow the any additional legislation regarding product stewardship and have become members of the Product Stewardship Council in order to make sure our facilities are utilized to the maximum extent.

*Yard Waste, Mulching and Concrete Crushing Facilities:*

The Authority operates three leaf composting facilities and one mulching facility through a public-private partnership. The leaf composting facilities are primarily for leaf drop off from municipal highway departments and landscapers during the fall season. During spring time, each municipal entity participates in a give back program that represents the compost that is processed from the previous season. Subsequent to the municipal participation the compost is sold in bulk to the contractor. In addition, any yard waste brought to the Clarkstown facility from residents or brush that is delivered by municipal entities are also processed into mulch and the municipalities participate in a similar "give back" program. Subsequently, any remainder of mulch is sold to the contractor in a bulk sale. Operations do not seem to be contingent upon economic times but rather windstorms, droughts, floods and other natural circumstances. The Authority operates a concrete crushing facility through a public-private partnership. The crushing of concrete is impacted by the economy and construction and demolition associated with a robust economy. The Authority will continue to pursue out of County opportunities for concrete recycling and sales of crushed concrete.

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**Rockland County Solid Waste Management Authority**
**(A Component Unit of the County of Rockland, New York)**

Statement of Net Position
December 31, 2014
(With Comparative Amounts for December 31, 2013)

| | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 22,403,720 | $ 20,510,887 |
| Accounts receivable, net of allowance for uncollectible accounts of $312,670 in 2014 and 2013 | 3,230,985 | 2,272,575 |
| Grants receivable from other governments | 540,826 | 1,061,878 |
| Prepaid expenses and other receivables | 394,756 | 341,603 |
| Total Current Assets | 26,570,287 | 24,186,943 |
| Noncurrent assets | | |
| Cash and cash equivalents - Restricted | 9,832,045 | 9,817,794 |
| Investments - Restricted | 2,527,270 | 3,125,532 |
| Intangible assets | 15,506,746 | 15,506,746 |
| Capital assets, not being depreciated | 8,706,267 | 7,882,413 |
| Capital assets being depreciated, net | 27,518,326 | 30,384,403 |
| Total Noncurrent Assets | 64,090,654 | 66,716,888 |
| Total Assets | 90,660,941 | 90,903,831 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred amounts on refunding bonds | 99,047 | 123,707 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable | 6,744,162 | 6,026,690 |
| Accrued liabilities | 847,531 | 1,429,539 |
| Accrued interest payable | 123,615 | 135,585 |
| Non-current liabilities - Due within one year | 3,985,434 | 3,944,052 |
| Total Current Liabilities | 11,700,742 | 11,535,866 |
| Non-current liabilities - Due in more than one year | 54,742,864 | 59,780,561 |
| Total Liabilities | 66,443,606 | 71,316,427 |
| **NET POSITION** | | |
| Net investment in capital assets | 6,474,293 | 5,910,955 |
| Unrestricted | 17,842,089 | 13,800,156 |
| Total Net Position | $ 24,316,382 | $ 19,711,111 |

See notes to financial statements.

**Rockland County Solid Waste Management Authority**
**(A Component Unit of the County of Rockland, New York)**

Statement of Activities
Year Ended December 31, 2014
(With Comparative Amounts for Year Ended December 31, 2013)

| | 2014 | 2013 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Solid waste disposal charges | $ 47,964,705 | $ 45,529,936 |
| **OPERATING EXPENSES** | | |
| Personal services | 2,233,702 | 2,286,840 |
| Employee benefits | 1,093,306 | 1,098,798 |
| Other post employment benefit obligations | 493,542 | 504,610 |
| Contractual services | 36,651,247 | 35,124,210 |
| Depreciation and amortization | 3,524,853 | 3,827,193 |
| Total Operating Expenses | 43,996,650 | 42,841,651 |
| Operating Income | 3,968,055 | 2,688,285 |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Interest income | 154,738 | 163,643 |
| Interest expense | (2,808,125) | (2,896,644) |
| State aid | 435,871 | 360,284 |
| Federal aid | - | 752,620 |
| Gain on disposal of capital assets | 55,340 | - |
| Gain on impairment of capital asset | 1,109,459 | - |
| Total Non-Operating Expenses, net | (1,052,717) | (1,620,097) |
| Income Before Change in Accounting Estimate | 2,915,338 | 1,068,188 |
| **CHANGE IN ACCOUNTING ESTIMATE** | | |
| Other post employment benefit obligations | 1,689,933 | - |
| Change in Net Position | 4,605,271 | 1,068,188 |
| **NET POSITION** | | |
| Beginning of Year | 19,711,111 | 18,642,923 |
| End of Year | $ 24,316,382 | $ 19,711,111 |

See notes to financial statements.

**Rockland County Solid Waste Management Authority**
**(A Component Unit of the County of Rockland, New York)**

Statement Of Cash Flows
December 31, 2014
(With Comparative Amounts for December 31, 2013)

| | 2014 | 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Collections of solid waste disposal charges | $ 48,257,360 | $ 44,969,789 |
| Payments to vendors | (36,580,943) | (36,012,929) |
| Payments for salaries and benefits | (3,315,001) | (3,326,451) |
| Net Cash from Operating Activities | 8,361,416 | 5,630,409 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | |
| State and Federal aid | 956,923 | 1,960,890 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Repayments of bonds | (3,755,000) | (3,615,000) |
| Repayments of capital lease | (174,052) | (334,672) |
| Bonds issued | - | 3,270,434 |
| Repayments of loans | - | (3,022,637) |
| Restricted cash and equivalents | (14,251) | 3,420,755 |
| Restricted investments | 598,262 | 193,704 |
| Purchase of capital assets | (2,092,124) | (2,147,574) |
| Interest paid | (2,666,305) | (2,818,591) |
| Proceeds from disposal of capital asset | 55,340 | - |
| Proceeds from gain on impairment of capital asset | 467,886 | - |
| Net Cash from Capital and Related Financing Activities | (7,580,244) | (5,053,581) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest income | 154,738 | 163,643 |
| Net Change in Cash and Cash Equivalents | 1,892,833 | 2,701,361 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of Year | 20,510,887 | 17,809,526 |
| End of Year | $ 22,403,720 | $ 20,510,887 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES** | | |
| Operating income | $ 3,968,055 | $ 2,688,285 |
| Adjustments to reconcile operating income to net cash from operating activities | | |
| Depreciation and amortization | 3,524,853 | 3,827,193 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 292,655 | (560,147) |
| Prepaid expenses and other receivables | (53,153) | (31,280) |
| Accounts payable | 717,472 | (1,471,011) |
| Accrued liabilities | (570,038) | 672,759 |
| Other post employment benefit obligations payable | 493,542 | 504,610 |
| Net Cash from Operating Activities | $ 8,373,386 | $ 5,630,409 |

**SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND FINANCING ACTIVITIES**

The Authority issued serial bonds to currently refund debt issued in 2003. The $6,495,000 proceeds were deposited immediately into an irrevocable trust for the defeasance of $6,495,000 of outstanding serial bond principal.

See notes to financial statements.

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## Note 1 - Summary of Significant Accounting Policies

### Organization and Purpose

The Rockland County Solid Waste Management Authority ("Authority") is a public benefit corporation established pursuant to Title 13-M of the New York State Public Authorities Law. The Authority was established in 1993 and became operational in 1995. The Authority is administered by seventeen members. Eight members are members of the County Legislature, five members are supervisors of towns within the County, two members are mayors of villages recommended by the Conference of Mayors and appointed by the County Legislature, and two members are appointed by the County Executive. The Authority provides solid waste management services to residents of the County of Rockland, New York ("County").

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Authority's more significant accounting policies:

### A. Financial Reporting Entity

A majority of the Authority's governing board consists of members of the County Legislature and members appointed by the County Legislature, and therefore the County is considered able to impose its will on the Authority. The ability to impose will is considered sufficient criteria to establish the Authority as a component unit of the County. Since the Authority does not provide services entirely or almost entirely to the County the financial statements have been reflected in the County's financial statements as a discretely presented component unit.

### B. Basis of Presentation

The activities of the Authority are reported in accordance with generally accepted accounting principles as applicable to enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. The Authority applies all applicable Financial Accounting Standards Board ("FASB") guidance, unless they conflict with or contradict GASB pronouncements, in accounting and reporting for its operations.

### C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment is determined by an entity's measurement focus. Enterprise funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current) associated with the operation of the entity are included on the statement of net position. Enterprise fund statements of activities present increases (revenues) and decreases (expenses) in net total assets. The accrual basis of accounting is followed by the Authority. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with maturities of three months or less at the time of purchase.

The Authority's deposit and investment policies are governed by State statutes. The Authority has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies. The Authority is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements, obligations of other municipal entities or its political subdivisions and investment agreements, and accordingly, the Authority's policy provides for no credit or interest rate risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Authority has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Authority's name. The Authority's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2014.

**Receivables**

Receivables consist of amounts due from corporations and other governments. Receivables are recorded as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

**Restricted Cash and Cash Equivalents and Investments**

Restricted cash and cash equivalents and investments consist of bond proceeds held by a custodial agent. These funds are to be used for the construction of solid waste disposal facilities and payment of debt service.

**Intangible Assets**

Intangible assets represent goodwill. Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. The Authority adopted FASB guidance on goodwill impairment testing which allows an entity to first assess qualitative factors to determine whether it is more likely than not that goodwill may be

## Note 1 - Summary of Significant Accounting Policies (Continued)

impaired. Under this guidance, qualitative factors are assessed at least annually, or more frequently, if events or changes in circumstances indicate that the carrying value of the reporting unit is less than its carrying amount. If the Authority's qualitative assessment indicates that goodwill may be impaired, the Authority will estimate the fair value of the reporting unit based on one or more of the following valuation techniques; i. income; ii. discounted cash flows, or; iii. market approach. If such fair value estimate is less than the carrying value of goodwill, an impairment loss is recognized. The Authority concluded that goodwill was not impaired during the year.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Buildings and land improvements | 20 years |
| Machinery and equipment | 5-20 years |

Expenditures for maintenance and repairs are charged to expense, and renewals and betterments are capitalized. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the results of operations.

### Land and Construction-in-Progress

Land and construction-in-progress are not depreciated and are stated at cost. Interest paid on applicable debt, net of interest earned on available funds, is capitalized during the period of construction.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2014, the Authority has reported deferred outflows of resources of $99,047 for deferred losses on refunding bonds. These amounts are deferred and amortized over the lessor life of the new debt or the remaining life of the old debt.

### Bonds Payable

The Authority records bonds payable at face value. Bond premiums and discounts are deferred over the life of the bonds. Bond issuance costs are expensed as incurred.

## Note 1 - Summary of Significant Accounting Policies (Continued)

### Compensated Absences

Vested or accumulated vacation or compensatory time is recorded as an expense and liability of the Authority as the benefit accrues to employees and is included in accrued liabilities.

### Other Post Employment Benefit Obligations Payable

The Authority's annual other post employment benefit ("OPEB") obligation payable is determined in accordance with the parameters of GASB Statement No. 45.

### Net Position

Net Position represents the equity generated from the operation of the Authority.

### E. 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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### F. Comparative Financial Information

The financial statements include certain prior-year comparative information, but does not include all required note disclosures. Accordingly, such information does not constitute a presentation in conformity with generally accepted accounting principles. Such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2013, from which the comparative information was derived.

### G. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 18, 2015.

### H. Change in Accounting Estimate

The Authority retained a different actuary in 2014 to value its other post employment benefit obligations. Certain actuarial assumptions were modified and changed including the discount rate used and the amortization of the unfunded actuarial liabilities was discontinued. The effects of this change increased Net Position in the amount of $1,689,933.

## Note 2 - Cash and Equivalents

### Restricted Cash and Equivalents

The carrying amounts of the Authority's restricted deposits at December 31, 2014 was $9,832,045. This amount is held in trust by a custodial agent on behalf of the Authority. The amount is not subject to risk collateralization requirements.

## Note 3 - Restricted Investments

Restricted investments at December 31, 2014 consisted of the following

| | Maturity Date | Interest Rate | Amount |
|---|---|---|---|
| Collateralized Investment Agreements - AIG Matched Funding Corp. | 12/15/2025 | 4.59 % | $ 555,651 |
| Repurchase Agreement - Westdeutsche Landesbank | 12/15/2016 | 6.43 | 1,130,599 |
| U.S. Treasury Bond SLUG | 06/15/2025 | - | 841,020 |
| | | | $ 2,527,270 |

The investment agreements are fully collateralized with securities guaranteed by the U.S. Government.

## Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 6,200,325 | $ 518,380 | $ - | $ 6,718,705 |
| Construction in progress | 1,682,088 | 1,820,312 | (1,514,838) | 1,987,562 |
| Total capital assets not being depreciated | 7,882,413 | 2,338,692 | (1,514,838) | 8,706,267 |
| Capital assets being depreciated | | | | |
| Buildings | 49,989,373 | 1,043,370 | (2,708,862) | 48,323,881 |
| Land improvements | 2,420,054 | - | - | 2,420,054 |
| Machinery and equipment | 19,023,598 | 224,900 | - | 19,248,498 |
| Total capital assets being depreciated | 71,433,025 | 1,268,270 | (2,708,862) | 69,992,433 |
| Less accumulated depreciation for Capital assets being depreciated | | | | |
| Buildings | 27,610,100 | 2,524,501 | (2,099,368) | 28,035,233 |
| Land improvements | 677,615 | 96,802 | - | 774,417 |
| Machinery and equipment | 12,760,907 | 903,550 | - | 13,664,457 |
| Total accumulated depreciation | 41,048,622 | 3,524,853 | (2,099,368) | 42,474,107 |
| Total capital assets being depreciated, net | 30,384,403 | (2,256,583) | (609,494) | 27,518,326 |
| Capital assets, net | $ 38,266,816 | $ 82,109 | $ (2,124,332) | $ 36,224,593 |

## Note 4 - Capital Assets (Continued)

### Impairment of Capital Asset

On February 14, 2014 there was a roof collapse at the Biosolid Co-Composting Facility due to heavy snow accumulation. The facility has been inoperable since that time. The Authority's engineer has estimated the cost to repair the building to be $3.8 million. The Authority has incurred costs of $1,718,952 to repair the facility which is included in construction in progress at December 31, 2014. The impairment of the asset was determined using the restoration cost approach, net of applicable insurance recoveries.

## Note 5 - Long-Term Liabilities

| | Balance January 1, 2013 | New Issues/ Additions | Maturities and/or Payments and Other | Balance December 31, 2014 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable | | | | | |
| Capital construction | $ 46,076,134 | $ 6,495,000 | $ 9,664,308 | $ 42,906,826 | $ 3,489,849 |
| Other | 13,434,300 | - | 585,692 | 12,848,608 | 495,585 |
| | 59,510,434 | 6,495,000 | 10,250,000 | 55,755,434 | 3,985,434 |
| Bond premium and discount | (827,292) | - | (129,128) | (698,164) | - |
| | 58,683,142 | 6,495,000 | 10,120,872 | 55,057,270 | 3,985,434 |
| Capital lease payable | 174,052 | - | 174,052 | - | - |
| Other post employment benefit obligations payable | 4,867,419 | 493,542 | 1,689,933 | 3,671,028 | - |
| Total Other Noncurrent Liabilities | 5,041,471 | 493,542 | 1,863,985 | 3,671,028 | - |
| Governmental Activities Long-Term Liabilities | $ 63,724,613 | $ 6,988,542 | $ 11,984,857 | $ 58,728,298 | $ 3,985,434 |

### Capital Lease Payable

The Authority has entered into various agreements to lease certain equipment. The terms of the agreements provide options to purchase the equipment at any time during the lease period. The lease meets the criteria of a capital lease as defined by FASB guidance. The balance was paid in full at December 31, 2014. Interest expense was $2,413 for the year ended December 31, 2014.

## Note 5 - Long-Term Liabilities (Continued)

### Bonds Payable

Bonds Payable consisted of the following issues:

| Purpose | Year of Issue | Original Issue Amount | Final Maturity | Interest Rates | Amount Outstanding at December 31, 2014 |
|---|---|---|---|---|---|
| Public Improvements | 2003 | 15,273,468 | December, 2025 | 5.409 - 6.189 | 9,255,000 |
| Public Improvements | 2006 | 10,080,000 | December, 2021 | 4.250 - 5.000 | 6,275,000 |
| Public Improvements | 2008 | 27,535,000 | December, 2033 | 5.375 - 6.500 | 22,815,000 |
| Public Improvements | 2010 | 7,900,000 | December, 2024 | 3.000 - 4.000 | 7,040,000 |
| Public Improvements | 2010 | 2,250,000 | December, 2018 | 3.000 - 3.500 | 1,190,000 |
| Public Improvements | 2013 | 3,270,434 | November, 2029 | .733 - 4.083 | 2,955,434 |
| Public Improvements | 2014 | 6,495,000 | December, 2028 | 3.180 | 6,225,000 |
| | | | | | $ 55,755,434 |

Interest expense was $2,805,712 for the year ended December 31, 2014, including $153,788 of amortization expense for the original issue premium, discount and loss on refunding.

At the option of the Authority, certain serial bonds are subject to redemption prior to maturity at various dates, depending on the issue.

The annual requirements to amortize all bonds outstanding at December 31, 2014, including interest of $17,759,483 are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 3,985,434 | $ 2,712,502 | $ 6,697,936 |
| 2016 | 4,175,000 | 2,530,363 | 6,705,363 |
| 2017 | 4,370,000 | 2,337,934 | 6,707,934 |
| 2018 | 4,580,000 | 2,128,810 | 6,708,810 |
| 2019 | 4,795,000 | 1,911,950 | 6,706,950 |
| 2020-2024 | 27,955,000 | 5,569,102 | 33,524,102 |
| 2025-2029 | 5,745,000 | 529,822 | 6,274,822 |
| 2030-2033 | 150,000 | 39,000 | 189,000 |
| | 55,755,434 | $ 17,759,483 | $ 73,514,917 |
| Less: Unamortized original issue premium and discount | (698,164) | | |
| | $ 55,057,270 | | |

**Note 5 - Long-Term Liabilities (Continued)**

**Current Refunding**

During the 2014 fiscal year, the Authority issued $6,495,000 in serial bonds with an interest rate of 3.18%. The proceeds were used to currently refund $6,495,000 of 2003 Series B public improvement serial bonds bearing interest at rates ranging from 4.75% to 5.125%. The net proceeds of $6,495,000 (net of accrued interest of $28,843 and $134,738 in issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003B public improvement serial bonds. As a result, these bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Position. The accrued interest paid and issuance costs were expensed in the statement of activities.

The Authority currently refunded the 2003 Series B public improvement serial bonds to reduce its debt service payments over 15 years by $1,121,420 and to obtain a net present value economic gain of $688,549.

At December 31, 2014 $6,495,000 of defeased bonds have been called and are no longer outstanding.

**Other Post Employment Benefit Obligations**

In addition to providing pension benefits, the Authority provides certain health care benefits for retired employees through a single employer defined benefit plan. The employee handbook stipulates the employees covered and the percentage of contribution. The cost of providing post employment health care benefits is shared between the Authority and the retired employee. Substantially all of the Authority's employees may become eligible for those benefits if they have a minimum of five years of service and reach normal retirement age while working for the Authority. There are currently no retirees of the Authority.

The Authority's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

**Note 5 - Long-Term Liabilities (Continued)**

The Authority is required to accrue the amounts necessary to finance the Plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in post retirement benefits are as follows:

| Year Ended December 31, | Healthcare Cost Trend Rate |
|---|---|
| 2015 | 8.00 % |
| 2016 | 8.00 |
| 2017 | 7.50 |
| 2018 | 7.00 |
| 2019 | 6.50 |
| 2020 | 6.00 |
| 2021 | 5.50 |
| 2022+ | 5.00 |

The amortization basis for 2014 is being modified to reflect the full amortization of the initial unfunded accrued liability in 2014. This adjustment is being handled in the change in accounting estimate in Note 5. Traditionally the Net OPEB Obligation is lower than the Unfunded Accrued Liability and over time the Net OPEB Obligation will increase towards the unfunded accrued liability. Due to a combination of factors including the early implementation of GASB Statement No. 45 by the Authority, the Net OPEB Obligation became significantly greater than the Unfunded Accrued Liability, which is the maximum amount necessary based on actuarial calculations to meet obligations under GASB Statement No. 45. As a result, the Authority is making a onetime adjustment so that the Net OPEB Obligation is reduced to be equal to the Unfunded Accrued Liability as of December 31, 2014 and reflecting the full remaining balance of the initial Unfunded Accrued Liability, so that future obligations do not become overstated in the future. Under this approach, the Authority will have a Net OPEB Obligation reflected of the full Unfunded Accrued Liability plus will no longer need to amortize future periods of unamortized amounts from the initial Unfunded Accrued Liability. The Authority's assumptions included a 4.0% discount. The Authority currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit actuarial cost method. Payroll growth is not considered when using this method. The inflation rate is implicit in the trend rate and cannot be separately identified.

The number of participants as of December 31, 2014 was as follows:

| | |
|---|---|
| Active Employees | 27 |
| Retired Employees | - |
| Total | 27 |

**Note 5 - Long-Term Liabilities (Continued)**

| | |
|---|---|
| Amortization Component: | |
| Actuarial Accrued Liability as of 1/1/14 | $ 3,258,078 |
| Assets at Market Value | - |
| Unfunded Actuarial Accrued Liability | $ 3,258,078 |
| Funded Ratio | 0.00% |
| Covered Payroll (active plan members) | $ 2,233,702 |
| UAAL as a Percentage of Covered Payroll | 146% |
| Annual Required Contribution | $ 298,845 |
| Interest on Net OPEB Obligation | 194,697 |
| Annual OPEB Cost | 493,542 |
| Contributions Made | - |
| Increase in Net OPEB Obligation before change in accounting estimate | 493,542 |
| Change in accounting estimate | (1,689,933) |
| Decrease in Net OPEB Obligation | (1,196,391) |
| Net OPEB Obligation - Beginning of Year | 4,867,419 |
| Net OPEB Obligation - End of Year | $ 3,671,028 |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years is as follows:

| Fiscal Year Ended December 31, 2014 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2014 | $ 493,542 | - % | 3,671,028 |
| 2013 | 504,610 | - | 4,867,419 |
| 2012 | 724,533 | - | 4,362,809 |

**Note 6 - Pension Plan**

The Authority participates in the New York State and Local Employees' Retirement System ("System"). The System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

## Note 6 - Pension Plan (Continued)

Funding Policy - The System is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who also contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and a regular pension contribution. Contribution rates for the plan year ended March 31, 2015 is as follows:

| Tier/Plan | Rate |
|---|---|
| 4 A15 | 20.1 % |
| 5 A15 | 16.4 |

Contributions made to the Systems for the current and two preceding years were as follows:

| | |
|---|---|
| 2014 | $ 414,580 |
| 2013 | 415,108 |
| 2012 | 417,126 |

These amounts were equal to 100% of the actuarially required contributions for each respective fiscal year.

## Note 7 - Compensated Absences

Unused vacation time or compensatory time may be carried forward to subsequent years. Unused personal time is added to sick leave. The Authority has determined that the potential liability for accumulated vacation and compensatory time at December 31, 2014 was $583,702. This amount is included in accrued liabilities of the Authority.

## Note 8 - Net Position

The components of net position are detailed below:

Net *Investment in Capital Assets* - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Unrestricted* - the difference between the assets and liabilities that is not reported in the net investment in capital assets.

## Note 9 - Summary of Significant Contingencies

### Risk Management

The Authority purchases various conventional insurance coverages to reduce its exposure to loss. The Authority maintains general liability insurance coverage with a policy limit of $3 million. The auto policy provides coverage up to $1 million and the pollution liability policy provides coverage up to $10 million. The Authority also maintains an umbrella policy with coverage up to $10 million. The Authority purchases conventional workers' compensation insurance with coverage at statutory limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Authority also purchases conventional health insurance.

### Cash and Investment Restrictions

Upon issuance of the serial bonds, the indentures required the establishment of a restricted cash balance of $4,836,507 in 2014, which is maintained with the trustee of the bonds. In addition, at December 31, 2014, the trustee held $7,522,808 for the purchase and construction of facilities. These amounts, totaling $12,359,315 for 2014, have been reflected as restricted cash and investments on the statement of net position.

### Debt Covenants

The Authority at December 31, 2014 was in compliance with the debt and revenue ratios required under the covenants of the seven bonds outstanding at that date.

*****

**Rockland County Solid Waste Management Authority**
**(A Component Unit of the County of Rockland, New York)**

Required Supplementary Information - Schedule of Funding Progress
Other Post Employment Benefits
Last Three Fiscal Years

| Fiscal Year Ended December 31, | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2012 | $ - | $ 2,117,542 | $ 2,117,542 | - % | $ 2,267,036 | 93.41 % |
| 2013 | - | 2,604,825 | 2,604,825 | - | 2,286,839 | 113.91 |
| 2014 | - | 3,258,078 | 3,258,078 | - | 2,233,702 | 145.86 |

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**Rockland County Solid Waste Management Authority**
**(A Component Unit of the County of Rockland, New York)**

Supplementary Information
Year Ended December 31, 2014

| | Adopted Budget | Revised Budget | Actual | | Variance Favorable (Unfavorable) |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Solid waste disposal charges | | | | | |
| User fees | $ 9,104,285 | $ 9,104,285 | $ 9,106,003 | | $ 1,718 |
| Ad valorem | 12,475,959 | 12,475,959 | 12,487,022 | | 11,063 |
| Recycling facility materials | 1,472,000 | 1,472,000 | 2,407,923 | | 935,923 |
| Co-Compost facility user charges | | | | | |
| Septage | 64,975 | 64,975 | 43,872 | | (21,103) |
| Out-of-County users | 425,640 | 425,640 | 34,820 | | (390,820) |
| Solid waste collection and disposal charges | | | | | |
| Spring Valley | 776,634 | 776,634 | 778,629 | | 1,995 |
| Village of Haverstraw | 570,998 | 570,998 | 571,525 | | 527 |
| Village of Sloatsburg | 324,169 | 324,169 | 324,691 | | 522 |
| Village of New Hempstead | 444,121 | 444,121 | 444,637 | | 516 |
| Rockland County | 350,000 | 350,000 | 339,030 | | (10,970) |
| Transfer station tipping fees/sales | 20,447,775 | 20,447,775 | 21,330,800 | 1 | 883,025 |
| Other unclassified | 70,800 | 70,800 | 95,753 | | 24,953 |
| Total Operating Revenues | 46,527,356 | 46,527,356 | 47,964,705 | | 1,437,349 |
| **NON-OPERATING REVENUES** | | | | | |
| Interest | | | | | |
| Bank | 50,000 | 50,000 | 42,750 | | (7,250) |
| Restricted funds | 100,000 | 100,000 | 111,988 | | 11,988 |
| Interest subsidy | 302,879 | 302,879 | 302,885 | | 6 |
| Environmental Protection Facility grants | 300,000 | 300,000 | 435,871 | | 135,871 |
| Gain on disposal of capital assets | - | - | 55,340 | | 55,340 |
| Gain on impairment of capital asset | - | - | 1,109,459 | | 1,109,459 |
| Total Non-Operating Revenues | 752,879 | 752,879 | 2,058,293 | | 1,305,414 |
| Total Revenues | $ 47,280,235 | $ 47,280,235 | $ 50,022,998 | | $ 2,742,763 |

1 Offset by savings in expenditures

(Continued)

| OPERATING EXPENSES | Adopted Budget | Revised Budget | Actual | | Variance Favorable (Unfavorable) |
|---|---|---|---|---|---|
| Personal Services | | | | | |
| Salaries | $ 2,260,289 | $ 2,260,289 | $ 2,233,702 | 2 | $ 26,587 |
| Fringe Benefits | | | | | |
| Health and dental | 523,300 | 523,300 | 437,302 | | 85,998 |
| Retirement | 398,100 | 398,100 | 414,580 | | (16,480) |
| Social security | 172,912 | 172,912 | 155,162 | | 17,750 |
| Workers' compensation benefits | 88,260 | 88,260 | 79,496 | | 8,764 |
| Metropolitan commuter transportation mobility tax | 7,685 | 7,685 | 6,766 | | 919 |
| | 1,190,257 | 1,190,257 | 1,093,306 | | 96,951 |
| Contractual Services | | | | | |
| Office furniture and fixtures | 2,000 | 2,000 | 538 | | 1,462 |
| Data processing equipment | 11,000 | 11,000 | 26,512 | | (15,512) |
| | 13,000 | 13,000 | 27,050 | | (14,050) |
| Supplies expense | | | | | |
| Uniforms | 1,000 | 1,000 | 4,357 | | (3,357) |
| Motor fuel | 6,000 | 6,000 | 16,560 | | (10,560) |
| Office supplies and printing | 45,000 | 45,000 | 48,710 | | (3,710) |
| Equipment | 2,000 | 2,000 | 2,252 | | (252) |
| Books and publications | 6,000 | 6,000 | 1,229 | | 4,771 |
| Operational supplies (leaf bags, recycling bins, etc.) | 383,000 | 383,000 | 388,007 | | (5,007) |
| | 443,000 | 443,000 | 461,115 | | (18,115) |
| Other Operating Expenses | | | | | |
| Rental of equipment | 148,617 | 148,617 | 9,194 | | 139,423 |
| Travel | 10,000 | 10,000 | 10,492 | | (492) |
| Advertising | 50,000 | 50,000 | 54,096 | | (4,096) |
| Equipment repair | 62,500 | 62,500 | 97,498 | | (34,998) |
| Painting and building repair | - | - | 136,816 | | (136,816) |
| Cleaning contractor | 15,000 | 15,000 | 15,322 | | (322) |
| Cleaning - MRF | - | - | 238,550 | | (238,550) |
| Fees for services - non-employees | 722,090 | 722,090 | 950,758 | | (228,668) |
| Fees for services - co-composting by-pass | - | - | 1,502,578 | | (1,502,578) |
| Legal fees | 1,450,000 | 1,450,000 | 1,493,651 | | (43,651) |
| Engineering and other professional fees | 385,000 | 385,000 | 461,520 | | (76,520) |
| Postage | 22,500 | 22,500 | 33,214 | | (10,714) |
| Conferences and schools | 10,000 | 10,000 | 5,094 | | 4,906 |
| Repairs to vehicles | 5,000 | 5,000 | 4,153 | | 847 |
| Association dues | 2,000 | 2,000 | 3,672 | | (1,672) |
| Bid advertising | 2,000 | 2,000 | 1,842 | | 158 |
| Maintenance agreements | 30,000 | 30,000 | 28,880 | | 1,120 |
| Telephone | 68,760 | 68,760 | 75,166 | | (6,406) |
| Utilities | 632,000 | 632,000 | 416,293 | | 215,707 |
| Water and sewer | 66,500 | 66,500 | 49,643 | | 16,857 |
| Meals | - | - | 1,541 | | (1,541) |
| Household hazardous waste | 859,945 | 859,945 | 863,250 | | (3,305) |
| Certiorari payments | 275,000 | 275,000 | 38,169 | | 236,831 |
| | 4,816,912 | 4,816,912 | 6,491,392 | | (1,674,480) |

(Continued)

2 Inclusive of compensated absences accrual not budgeted

| | Adopted Budget | Revised Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| **REVENUE-GENERATING OTHER OPERATING EXPENSES** | | | | |
| MRF operating and maintenance fee | $ 1,705,259 | $ 1,705,259 | $ 1,399,115 | $ 306,144 |
| Co-composting operating and maintenance fee | 1,929,474 | 1,929,474 | 1,437,166 | 492,308 |
| Yard waste composting fee | 1,234,151 | 1,234,151 | 1,239,632 | (5,481) |
| Host community fee | 3,442,600 | 3,442,600 | 3,365,109 | 77,491 |
| Solid waste collection and disposal: | | | | |
| Spring Valley | 754,014 | 754,014 | 739,412 | 14,602 |
| Village of Haverstraw | 554,366 | 554,366 | 544,482 | 9,884 |
| Village of Sloatsburg | 314,727 | 314,727 | 304,000 | 10,727 |
| Village of New Hempstead | 330,000 | 330,000 | 339,310 | (9,310) |
| Rockland County | 431,185 | 431,185 | 431,889 | (704) |
| Recycling rebates | 835,000 | 835,000 | 758,644 | 76,356 |
| Transfer station rebates | 100,000 | 100,000 | 129,362 | (29,362) |
| Transfer station fees | 19,877,495 | 19,877,495 | 18,756,625 | 1,120,870 |
| | 31,508,271 | 31,508,271 | 29,444,746 | 2,063,525 |
| **OTHER COSTS** | | | | |
| Tax related costs | 17,000 | 17,000 | 16,195 | 805 |
| Insurance premiums | 190,000 | 190,000 | 181,446 | 8,554 |
| Miscellaneous | 55,200 | 55,200 | 29,303 | 25,897 |
| | 262,200 | 262,200 | 226,944 | 35,256 |
| | 40,493,929 | 40,493,929 | 39,978,255 | 515,674 |
| **DEBT SERVICE** | | | | |
| Principal | 3,770,000 | 3,770,000 | 3,755,000 | 15,000 |
| Interest | 3,016,306 | 3,016,306 | 3,111,010 | (94,704) |
| | 6,786,306 | 6,786,306 | 6,866,010 | (79,704) |
| Total Expenses | $ 47,280,235 | $ 47,280,235 | $ 46,844,265 | $ 435,970 |

(Continued)

| | Adopted Budget | Revised Budget | Actual | | Variance Favorable (Unfavorable) |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Solid waste disposal charges | | | | | |
| User fees | $ 8,997,612 | $ 8,997,612 | $ 8,997,056 | | $ (556) |
| Ad valorem | 11,652,518 | 11,652,518 | 11,662,368 | | 9,850 |
| Recycling facility materials | 1,836,000 | 1,836,000 | 1,986,127 | | 150,127 |
| Co-Compost facility user charges | | | | | |
| Septage | 64,000 | 64,000 | 67,646 | | 3,646 |
| Out-of-County users | 484,820 | 484,820 | 432,562 | | (52,258) |
| Solid waste collection and disposal charges | | | | | |
| Spring Valley | 778,816 | 778,816 | 779,990 | | 1,174 |
| Village of Haverstraw | 568,521 | 568,521 | 569,162 | | 641 |
| Village of Sloatsburg | 320,618 | 320,618 | 320,615 | | (3) |
| Village of New Hempstead | 437,055 | 437,055 | 437,059 | | 4 |
| Rockland County | 361,552 | 361,552 | 347,341 | | (14,211) |
| Transfer station tipping fees/sales | 20,467,600 | 20,467,600 | 19,861,522 | 1 | (606,078) |
| Other unclassified | - | - | 68,488 | | 68,488 |
| Total Operating Revenues | 45,969,112 | 45,969,112 | 45,529,936 | | (439,176) |
| **NON-OPERATING REVENUES** | | | | | |
| Interest | | | | | |
| Bank | 50,000 | 50,000 | 36,393 | | (13,607) |
| Restricted funds | 75,000 | 75,000 | 127,250 | | 52,250 |
| Interest subsidy | 273,768 | 273,768 | 286,034 | | 12,266 |
| Environmental Protection Facility grants | 290,000 | 290,000 | 401,127 | | 111,127 |
| Federal Emergency Management Agency | - | - | 752,620 | | 752,620 |
| State Emergency Management Agency | - | - | (40,843) | | (40,843) |
| Total Non-Operating Revenues | 688,768 | 688,768 | 1,562,581 | | 873,813 |
| Total Revenues | $ 46,657,880 | $ 46,657,880 | $ 47,092,517 | | $ 434,637 |

1 Offset by savings in expenditures

(Continued)

| OPERATING EXPENSES | Adopted Budget | Revised Budget | Actual | | Variance Favorable (Unfavorable) |
|---|---|---|---|---|---|
| Personal Services | | | | | |
| Salaries | $ 2,178,148 | $ 2,178,148 | $ 2,286,840 | 2 | $ (108,692) |
| Fringe Benefits | | | | | |
| Health and dental | 454,500 | 454,500 | 449,383 | | 5,117 |
| Retirement | 412,000 | 412,000 | 415,108 | | (3,108) |
| Social security | 166,628 | 166,628 | 157,989 | | 8,639 |
| Workers' compensation benefits | 68,500 | 68,500 | 69,453 | | (953) |
| Metropolitan commuter transportation mobility tax | 7,400 | 7,400 | 6,865 | | 535 |
| | 1,109,028 | 1,109,028 | 1,098,798 | | 10,230 |
| Contractual Services | | | | | |
| Office Equipment | | | | | |
| Office furniture and fixtures | - | - | 2,947 | | (2,947) |
| Data processing equipment | 2,500 | 2,500 | 8,267 | | (5,767) |
| | 2,500 | 2,500 | 11,214 | | (8,714) |
| Supplies expense | | | | | |
| Uniforms | 1,200 | 1,200 | 2,201 | | (1,001) |
| Motor fuel | 5,000 | 5,000 | 15,690 | | (10,690) |
| Office supplies and printing | 40,000 | 40,000 | 54,559 | | (14,559) |
| Equipment | 2,000 | 2,000 | 12,493 | | (10,493) |
| Books and publications | 5,000 | 5,000 | 9,720 | | (4,720) |
| Operational supplies (leaf bags, recycling bins, etc.) | 380,000 | 380,000 | 395,909 | | (15,909) |
| | 433,200 | 433,200 | 490,572 | | (57,372) |
| Other Operating Expenses | | | | | |
| Rental of equipment | 302,500 | 302,500 | 25,134 | | 277,366 |
| Travel | 10,000 | 10,000 | 13,228 | | (3,228) |
| Advertising | 35,000 | 35,000 | 32,554 | | 2,446 |
| Equipment repair | 72,000 | 72,000 | 72,644 | | (644) |
| Painting and building repair | - | - | 74,094 | | (74,094) |
| Cleaning contractor | 14,300 | 14,300 | 14,619 | | (319) |
| Fees for services - non-employees | 668,500 | 668,500 | 741,585 | | (73,085) |
| Hurricane Sandy expenses | - | - | 873,900 | | (873,900) |
| Legal fees | 650,000 | 1,758,000 | 1,579,422 | | 178,578 |
| Engineering and other professional fees | 395,000 | 395,000 | 549,565 | | (154,565) |
| Postage | 25,000 | 25,000 | 19,495 | | 5,505 |
| Conferences and schools | 10,000 | 10,000 | 10,058 | | (58) |
| Repairs to vehicles | 5,000 | 5,000 | 2,122 | | 2,878 |
| Association dues | 2,000 | 2,000 | 2,819 | | (819) |
| Bid advertising | 2,000 | 2,000 | 1,147 | | 853 |
| Maintenance agreements | 30,000 | 30,000 | 32,815 | | (2,815) |
| Telephone | 50,000 | 50,000 | 73,473 | | (23,473) |
| Utilities | 619,700 | 619,700 | 577,418 | | 42,282 |
| Water and sewer | 55,000 | 55,000 | 56,759 | | (1,759) |
| Meals | - | - | 1,006 | | (1,006) |
| Household hazardous waste | 828,900 | 828,900 | 841,231 | | (12,331) |
| Certiorari payments | 275,000 | 50,000 | 193,146 | | (143,146) |
| | 4,049,900 | 4,932,900 | 5,788,234 | | (855,334) |

(Continued)

2 Inclusive of compensated absences accrual not budgeted

| | Adopted Budget | Revised Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| **REVENUE GENERATING OTHER OPERATING EXPENSES** | | | | |
| MRF operating and maintenance fee | $ 1,765,199 | $ 1,765,199 | $ 1,277,306 | $ 487,893 |
| Co-composting operating and maintenance fee | 1,912,719 | 1,912,719 | 1,970,896 | (58,177) |
| Yard waste composting fee | 1,294,155 | 1,294,155 | 1,407,771 | (113,616) |
| Host community fee | 3,042,000 | 3,042,000 | 3,002,095 | 39,905 |
| Solid waste collection and disposal | | | | |
| Spring Valley | 756,132 | 756,132 | 728,195 | 27,937 |
| Village of Haverstraw | 551,962 | 551,962 | 559,597 | (7,635) |
| Village of Sloatsburg | 311,280 | 311,280 | 257,188 | 54,092 |
| Village of New Hempstead | 317,240 | 317,240 | 334,420 | (17,180) |
| Rockland County | 424,325 | 424,325 | 424,179 | 146 |
| Recycling rebates | 856,800 | 856,800 | 692,285 | 164,515 |
| Transfer station rebates | 75,000 | 75,000 | 160,054 | (85,054) |
| Transfer station fees | 20,698,383 | 19,815,383 | 17,772,992 | 2,042,391 |
| | 32,005,195 | 31,122,195 | 28,586,978 | 2,535,217 |
| **OTHER COSTS** | | | | |
| Tax related costs | 16,000 | 16,000 | 15,544 | 456 |
| Insurance premiums | 175,000 | 175,000 | 177,019 | (2,019) |
| Miscellaneous | 7,000 | 7,000 | 54,649 | (47,649) |
| | 198,000 | 198,000 | 247,212 | (49,212) |
| | 39,975,971 | 39,975,971 | 38,509,848 | 1,466,123 |
| **DEBT SERVICE** | | | | |
| Principal | 3,580,000 | 3,580,000 | 3,615,000 | (35,000) |
| Interest | 3,101,909 | 3,101,909 | 3,182,678 | (80,769) |
| | 6,681,909 | 6,681,909 | 6,797,678 | (115,769) |
| Total Expenses | $ 46,657,880 | $ 46,657,880 | $ 45,307,526 | $ 1,350,354 |

(Continued)

**Rockland County Solid Waste Management Authority**
**(A Component Unit of the County of Rockland, New York)**

Supplementary Information (Concluded)
Years Ended December 31, 2014 and 2013

Reconciliation of Supplementary Schedules to Financial Statements

| | 2014 | 2013 |
|---|---|---|
| **REVENUES** | | |
| Revenues per Supplementary Schedule | $ 50,022,998 | $ 47,092,517 |
| Adjustment to reconcile supplementary schedule to Statement of Activities | | |
| Interest subsidy | (302,885) | (286,034) |
| Interest income | (154,738) | (163,643) |
| State aid | (435,871) | (360,284) |
| Federal aid | - | (752,620) |
| Gain on disposal of capital asset | (55,340) | - |
| Gain on impairment of capital asset | (1,109,459) | - |
| Operating Revenues per Statement of Activities | $ 47,964,705 | $ 45,529,936 |
| **EXPENSES** | | |
| Expenses per Supplementary Schedule | $ 46,844,265 | $ 45,307,526 |
| Adjustment to reconcile supplementary schedule to Statement of Activities | | |
| Bond principal | (3,755,000) | (3,615,000) |
| Interest subsidy | (302,885) | (286,034) |
| Interest expense | (2,808,125) | (2,896,644) |
| Other post employment benefit obligations | 493,542 | 504,610 |
| Depreciation and amortization | 3,524,853 | 3,827,193 |
| Operating Expenses per Statement of Activities | $ 43,996,650 | $ 42,841,651 |

See Independent Auditors' Report.

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## Independent Auditors' Report on Compliance with Section 2925(3)(1) Of the New York State Public Authorities Law

**The Members of the Rockland County**
**Solid Waste Management Authority, New York**

We have examined the Rockland County Solid Waste Management Authority (the "Authority") compliance with Section 2925(3)(1) of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended December 31, 2014. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2014.

This report is intended solely for the information and use of management, the Members of the Board and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP

**O'Connor Davies, LLP**
Harrison, New York
March 18, 2015


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## 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

**The Members of the Rockland County**
**Solid Waste Management Authority, 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 Rockland County Solid Waste Management Authority ("Authority") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated March 18, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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.


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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Authority in a separate letter.

**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.

O'Connor Davies, LLP

**O'Connor Davies, LLP**
Harrison, New York
March 18, 2015