

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS
(and Reports of Independent Auditors)
December 31, 2015 and 2014

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Rensselaer County Solid Waste Management Authority (the "Authority"), as of and for the years ended December 31, 2015 and December 31, 2014, 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.

Auditor's Responsibility

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

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

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

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, 2015 and 2014, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Eastern Rensselaer County Solid Waste Management Authority's basic financial statements. The Schedule of Revenues and Expenses – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Emphasis of Matter

As discussed in Note 2 of the financial statements, the 2014 financial statements were restated to classify the pledge receivable of \$25,000 as restricted fund balance instead of unrestricted fund balance. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016 on our consideration of Eastern Rensselaer County Solid Waste Management 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 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 Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting and compliance.

Pattison, Koshey, Howe & Bucci, CPAs, PC

Kingston, New York
March 31, 2016

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2015 and 2014

1. Financial Highlights

The Authority generated a loss of \$13,466 in 2015 compared to a loss of \$25,577, in 2014. Overall, cash and cash equivalents decreased \$13,848, in 2015 and total net position is \$125,989 at December 31, 2015 compared to \$139,455 at December 31, 2014.

The Authority generated income of \$90,942 in 2013. Overall, cash and cash equivalents increased \$19,515, in 2014 and total net position was \$165,032 at December 31, 2013.

Tipping fees and recycling revenues were \$448,787 in 2015, a 20.42% decrease from the previous year, which was driven by the decrease in the waste management rate from \$78.38 to \$59.08, from 2014 to 2015, respectively. Tipping fees and recycling revenues comprised approximately 77% and 82% of total revenues in 2015 and 2014, respectively.

Tipping fees and recycling revenues were \$563,973 in 2014, a 0.90% decrease from the prior year despite an increase in the waste management rate from \$76.94 to \$78.38, from 2013 to 2014, respectively. Tipping fees and recycling revenues comprised approximately 82% and 69% of total revenues in 2014 and 2013, respectively. During 2013, the Authority collected \$25,000 and recorded a pledge of \$25,000 from a contribution increasing revenue by \$50,000.

Total operating expenses were \$597,077 in 2015, a 16.79% decrease from the previous year. Tipping and recycling expenses were \$448,787 during the year ended December 31, 2015, a 20.45% decrease from the previous year.

Total operating expenses were \$717,558 in 2014, a 3% decrease from the previous year. During 2013, the Authority made a contribution of \$25,000 to the Eastern Rensselaer Community Warehouse that did not occur in 2014, increasing expenses in 2013. Tipping and recycling expenses were \$564,191 during the year ended December 31, 2014, a 0.90% decrease from the previous year.

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.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2015 and 2014

2. Basic Financial Statements (Continued)

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.

3. Financial Statement Analysis

Statements of Net Position

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

<u>Assets</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 211,631	\$ 199,337	\$ 254,246
Non-current assets	6,000	33,919	28,572
Total assets	<u>\$ 217,631</u>	<u>\$ 233,256</u>	<u>\$ 282,818</u>
 <u>Liabilities</u>			
Current liabilities	\$ 91,642	\$ 93,801	\$ 117,786
Total liabilities	<u>\$ 91,642</u>	<u>\$ 93,801</u>	<u>\$ 117,786</u>
 <u>Net position</u>	 <u>\$ 125,989</u>	 <u>\$ 139,455</u>	 <u>\$ 165,032</u>

Current assets exceeded current liabilities by \$119,989 and \$105,536 at December 31, 2015 and 2014, respectively.

Current assets exceeded current liabilities by \$136,460 at December 31, 2013.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position show the effect of income and expenses on ERCSWMA's net position for the year. These statements are 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, 2015, 2014 and 2013 are summarized on the following page.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2015 and 2014

3. Financial Statement Analysis (Continued):

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues			
Administrative fees	\$ 116,120	\$ 116,120	\$ 116,120
Tipping and recycling fees	448,787	563,973	569,081
Hazardous waste revenue	352	1,078	890
Grant income	12,009	4,450	85,784
Contribution revenue	-	-	50,000
Miscellaneous income	6,000	6,000	6,087
Total operating revenue	<u>583,268</u>	<u>691,621</u>	<u>827,962</u>
Operating expenses			
Salaries and payroll taxes	89,750	82,818	72,270
Tipping and recycling expenses	448,787	564,191	569,320
Hazardous waste expense	9,325	11,615	11,820
Education and public relations	9,967	13,663	3,968
Rental and maintenance of equipment	305	1,992	14,164
Contribution expense - ERCCW	-	-	25,000
Other	38,943	43,279	40,729
Total operating expenses	<u>597,077</u>	<u>717,558</u>	<u>737,271</u>
Operating (loss) income	<u>(13,809)</u>	<u>(25,937)</u>	<u>90,691</u>
Non-operating revenue			
Interest income	343	360	251
Total non-operating income	<u>343</u>	<u>360</u>	<u>251</u>
(Decrease) increase in net position	(13,466)	(25,577)	90,942
Net position, beginning of year	139,455	165,032	74,090
Net position, end of year	<u>\$ 125,989</u>	<u>\$ 139,455</u>	<u>\$ 165,032</u>

Accounting for 77% of the operating revenues in 2015 were tipping and recycling fees, which decreased 20.42% and totaled \$448,787.

Accounting for 82% of the operating revenues in 2014 were tipping and recycling fees, which decreased 0.90% and totaled \$563,973.

See independent auditors' report.

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

December 31, 2015 and 2014

3. Financial Statement Analysis (Continued)

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

During the years ended December 31, 2015, 2014 and 2013, the Authority was awarded grant money from New York State of \$12,009, \$4,450 and \$85,784, respectively. In addition, the Authority received a \$50,000 contribution during the year ended December 31, 2013, \$25,000 of which was recorded as a pledge receivable at December 31, 2015, December 31, 2014 and December 31, 2013.

Operating expenses of \$597,077 decreased by \$120,481 in 2015 due mainly to decreased costs associated with tipping and recycling costs. The decreased prices of fuel caused the Authority to incur reduced fuel surcharges in 2015. Tipping and recycling costs decreased \$115,404 while all other expenses remained consistent with the prior year.

Operating expenses of \$717,558 decreased by \$19,713 in 2014 due mainly to decreased costs associated with tipping and recycling costs, equipment rental and repairs and contribution expense offset by an increase in salaries and education and public relations expense. Tipping and recycling costs decreased \$5,219, equipment rental and repairs expense decreased \$12,172 and contribution expense decreased \$25,000. Offsetting these decreases were salaries expense which increased \$9,797, and education and public relations which increased \$9,695.

Non-operating revenue is derived from interest income on short-term investments, which decreased \$17 and from a loan to the Eastern Rensselaer County Community Warehouse (ERCCW) with a balance of \$6,000 at December 31, 2015. ERCSWMA maintained two certificates of deposit with a total balance of \$11,323 and \$11,317 at December 31, 2015 and 2014, respectively. The certificates of deposit had varying maturities (11 months and 8 months) and interest rates of (.10% and .10%) at December 31, 2015 and 2014.

Non-operating revenue increased \$123 in 2014 compared to 2013. The loan with ERCCW had an outstanding balance of \$8,000 at December 31, 2014.

Statements of Cash Flows

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

Net cash used by operating activities of \$16,185 in 2015 decreased \$43,354 from the prior year's net cash provided of \$27,169.

Net cash provided by operating activities of \$27,169 in 2014 decreased \$4,347 from the prior year's net cash provided of \$31,516.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2015 and 2014

4. Authority Budget:

In November 2014, ERCSWMA adopted a 2015 budget projecting revenues, exclusive of tipping and recycling fees, at \$127,220. Actual 2015 revenues, exclusive of tipping and recycling fees, totaled \$134,824. 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, for 2015 totaled \$148,290 for the year. Budgeted expenses for 2015 were \$140,825. A large part of the increase in actual expenditures of \$7,464 was due to salaries expense exceeding the budget by \$5,984 due to the increased activity at the ERCCW and the two part-time assistants hired to collect recycled latex paint working more hours than originally anticipated. Also, insurance exceeded the budget by \$5,293 due to an increase in unemployment insurance and an increase in health insurance premiums.

In November 2013, ERCSWMA adopted a 2014 budget projecting revenues, exclusive of tipping and recycling fees, at \$128,625. Actual 2014 revenues, exclusive of tipping and recycling fees, totaled \$128,008. 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, for 2014 totaled \$153,367 for the year. Budgeted expenses for 2014 were \$128,525. A large part of the increase in actual expenditures of \$24,842 was due to salaries expense exceeding the budget by \$15,707 due to the hiring of two employees to work at the ERCCW part-time to collect recycled latex paint. Also, insurance exceeded the budget by \$8,119 due to an increase in unemployment insurance and an increase in health insurance premiums.

5. Capital Assets and Long-Term Debt:

ERCSWMA did not take on any long-term debt in 2015, 2014 or 2013. There were no capital asset additions in 2015, 2014 or 2013.

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.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014 as adjusted
Current assets:		
Cash and cash equivalents	\$ 61,057	\$ 74,905
Accounts receivable - member towns	110,129	110,089
Prepaid expenses	3,747	2,866
Certificates of deposit	11,323	11,317
Pledge receivable	25,000	-
Interest receivable	375	160
Total current assets	211,631	199,337
Non-current assets:		
Property and equipment, net of \$138,299 and \$169,460 of accumulated depreciation	-	919
Pledge receivable	-	25,000
Note receivable - ERC Warehouse	6,000	8,000
Total non-current assets	6,000	33,919
Total assets	\$ 217,631	\$ 233,256

LIABILITIES AND NET POSITION

Current liabilities:		
Accrued expenses	\$ 2,651	\$ 2,487
Accounts payable	36,224	49,319
Due to members - credits	52,767	41,995
Total current liabilities	91,642	93,801
Net position:		
Invested in capital assets	-	919
Restricted	25,000	25,000
Unrestricted	100,989	113,536
Total net position	125,989	139,455
Total liabilities and net position	\$ 217,631	\$ 233,256

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, 2015 and 2014

	2015	2014
Operating Revenues:		
Administrative fees	\$ 116,120	\$ 116,120
Tipping and recycling fees	448,787	563,973
Hazardous waste revenue	352	1,078
Grant income	12,009	4,450
Miscellaneous income	6,000	6,000
Total operating revenues	583,268	691,621
Operating Expenses:		
Salaries	83,373	76,932
Payroll taxes	6,377	5,886
Tipping and recycling expenses	448,787	564,191
Hazardous waste expense	9,325	11,615
Professional fees	7,961	8,100
Payroll service	1,423	1,237
Education and public relations	9,967	13,663
Rent	9,000	9,000
Office supplies	580	540
Postage	416	384
Conferences and travel	1,362	1,533
Insurance	16,249	18,444
Equipment rental and repair	305	1,992
Telephone	677	1,118
Dues and memberships	75	270
Bank charges	249	-
Depreciation	919	2,653
Advertising	32	-
Total operating expenses	597,077	717,558
Operating income (loss)	(13,809)	(25,937)
Non-operating revenue		
Interest income	343	360
Change in net position	(13,466)	(25,577)
Net position, beginning	139,455	165,032
Net position, ending	\$ 125,989	\$ 139,455

See independent auditors' report and notes to financial statements.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Receipts from customers	\$ 581,776	\$ 657,051
Receipt of grants and contributions	12,009	82,535
Payments to suppliers	(520,384)	(630,154)
Payments to employees	(89,586)	(82,263)
	(16,185)	27,169
 Cash flows from investing activities		
Interest received	343	360
Increase in certificates of deposit	(6)	(14)
Note receivable - ERC Warehouse	2,000	(8,000)
	2,337	(7,654)
 Net (decrease) increase in cash	(13,848)	19,515
Cash and cash equivalents, beginning of year	74,905	55,390
Cash and cash equivalents, end of year	\$ 61,057	\$ 74,905
 Cash flows from operating activities		
Operating income (loss)	\$ (13,809)	\$ (25,937)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation	919	2,653
Interest receivable	(215)	(160)
Change in assets and liabilities:		
(Increase) in accounts receivable	(40)	(3,343)
Decrease in grants receivable	-	78,085
(Increase) in prepaid expenses	(881)	(144)
(Decrease) increase in accounts payable	(13,095)	2,077
Increase (decrease) in due to members - credits	10,772	(26,617)
Increase in accrued expenses	164	555
	(16,185)	27,169
Net cash (used for) provided by operating activities	\$ (16,185)	\$ 27,169

See independent auditors' report and notes to financial statements.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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. The Authority follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Authority does not apply Financial Accounting Standards Board (FASB) or AICPA pronouncements. The government-wide financial statements include the Authority's only governmental fund which is required to be presented as an enterprise fund.

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.

Grant revenue is recognized in the accounting period when the Authority is notified of the award in writing from the entity awarding the funds, and the underlying expenses and/or activities have taken place to earn such funds. Generally, there is a lag in the period in which the Authority provides the services and the period such funds are officially awarded.

Contribution revenue is recognized in the period it is measurable and future installments are considered probable of collection. Contribution revenue that is restricted as a result of a purpose or time restriction is included as a component of "restricted net position," when applicable. As of December 31, 2015 and 2014, contribution revenue was not restricted and is included as a component of unrestricted net position. When material, future pledge commitments are discounted to present value and any future increases in the receivable due to amortization of the discount are reflected in contribution income.

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

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

2. Summary of Significant Accounting Principles (Continued):

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.

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, 2015 and 2014, 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, 2015 and 2014, all investments were in certificates of deposit with maturities ranging from 8 to 11 months. All certificates of deposit were covered by FDIC insurance as of December 31, 2015 and 2014.

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 2015 and 2014 totaled \$919 and \$2,653, respectively.

Fair value measurements:

FASB ASC 820-10 "Fair Value Measurements" 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.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

2. Summary of Significant Accounting Principles (continued):

Deferred outflows/inflows of resources:

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

Statement 63 changes 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.

Budgets:

The budget policies are as follows:

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

Prior period restatement:

The financial statements for the year ended 2014 have been restated to classify the pledge receivable of \$25,000 as restricted fund balance instead of unrestricted fund balance.

Subsequent events:

Subsequent events have been evaluated through March 31, 2016, 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.

4. Pledge Receivable:

During the year ended December 31, 2013, the Authority received a pledge for \$50,000 from one donor. During the year ended December 31, 2013, the Authority collected \$25,000 of the pledge receivable and \$25,000 is expected to be received in 2016. No discount has been applied to the pledge and it is considered fully collectible. This contribution received is restricted for community outreach programs.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

5. Certificates of Deposit:

Investments consist of two certificates of deposit with a total balance at December 31, 2015 and 2014, of \$11,323 and \$11,317, respectively. The certificates of deposit have varying maturities (8 months and 11 months) and earned interest at .10% at December 31, 2015 and 2014. The certificates of deposit are maintained at a financial institution in Hoosick Falls and are fully insured by the FDIC.

6. Property and Equipment:

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

	<u>2015</u>	<u>2014</u>
Recycling Equipment	\$ 117,620	\$ 148,600
Accumulated Depreciation	<u>(117,620)</u>	<u>(147,835)</u>
	<u>\$ -</u>	<u>\$ 765</u>
Office Equipment	\$ 20,064	\$ 21,164
Accumulated Depreciation	<u>(20,064)</u>	<u>(21,164)</u>
	<u>\$ -</u>	<u>\$ -</u>
Website Development	\$ 615	\$ 615
Accumulated Depreciation	<u>(615)</u>	<u>(461)</u>
	<u>\$ -</u>	<u>\$ 154</u>

7. 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. ERCCW is related to the Authority because the Executive Director of the Authority serves as the President of ERCCW. ERCCW was created by the Authority and eventually spun off as a separate, non-profit corporation. The rental amount was \$750 per month in 2015 and 2014. The rent expense was \$9,000 for 2015 and 2014.

During the year ended December 31, 2014, the Authority authorized a loan of \$8,000 to the ERCCW to be paid back by June 2016 at 3% interest rate. There was a payment of \$2,000 made on the loan during 2015 and the Authority earned \$215 and \$160 in interest accrued for the years ended December 31, 2015 and 2014, respectively.

See independent auditors' report.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

8. 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 years ended December 31, 2015 and 2014, the Authority paid a rate of \$59.08 and \$78.38 per ton for both solid waste and construction and demolition waste, respectively. The agreement was amended on July 8, 2013 extending the term of the service agreement for 25 years. Effective February 20, 2015 the fee per ton for solid waste and construction and demolition waste will be \$69.50 in 2015 and multiplied by an inflation factor per ton each year, thereafter. The Authority paid a total of \$393,668 and \$504,709 to the company for the years ended December 31, 2015 and 2014, respectively.

In the year ended December 31, 2015, the Authority billed its member towns excess fees related to the fuel surcharge. In 2015, the price of fuel decreased significantly which led to decreased fuel expenses in 2015, the amount the Authority was billed decreased related to fuel surcharges. The Authority billed the member towns at the stated contract, which led to the Authority collecting additional money. This money will be held for the use of the member towns during 2016. As of December 31, 2015, an additional \$47,362 had been collected by the Authority and is recorded as a liability to be paid back to the member towns.

The Authority is party to a two-year agreement with a company that is contracted to haul waste for member community transfer stations. The contract requires annual payments based on “per pull” basis at a rate of \$180.24 and \$177.75 in 2015 and 2014, respectively. The total paid for these services was \$47,793 and \$51,410 for the years ended December 31, 2015 and 2014, respectively. The contract expired December 31, 2014 and during 2014, the Authority entered into a new agreement for an additional three one year terms, effective January 1, 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

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

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Rensselaer County Solid Waste Management 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 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. Accordingly, we do not express an opinion on the effectiveness of Eastern Rensselaer County Solid Waste Management Authority's internal control.

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

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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 to be a material weakness (2015-1).

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Eastern Rensselaer County Solid Waste Management Authority in a separate letter dated March 31, 2016.

Eastern Rensselaer County Solid Waste Management Authority's Response to Findings

Eastern Rensselaer County Solid Waste Management Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Eastern Rensselaer County Solid Waste Management Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Pattison, Koshey, Howe & Bucci, CPAs, PC

Kingston, New York
March 31, 2016

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1

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, that were cumulatively material to the financial statements.

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 or Potential 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.

Recommendation:

Management should 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, 2016.

Responsible Official's Response:

Management commits to make an effort to improve the procedures over adjusting the general ledger to the accrual basis of accounting in the upcoming year.

SUPPLEMENTARY INFORMATION

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year ended December 31, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	\$ 116,120	\$ 116,120	\$ -
Hazardous waste revenue	-	352	352
Grant income	11,000	12,009	1,009
Interest income	100	343	243
Miscellaneous income	-	6,000	6,000
Tipping and recycling fees	-	448,787	448,787
Total revenues	<u>127,220</u>	<u>583,611</u>	<u>456,391</u>
Expenses:			
Salaries	77,389	83,373	(5,984)
Payroll taxes	7,550	6,377	1,173
Tipping and recycling expenses	-	448,787	(448,787)
Hazardous waste collection	9,100	9,325	(225)
Professional fees	8,100	7,961	139
Payroll service	1,150	1,423	(273)
Education and public relations	13,430	9,967	3,463
Rent	9,000	9,000	-
Office supplies	300	580	(280)
Postage	450	416	34
Conferences and travel	500	1,362	(862)
Insurance	10,956	16,249	(5,293)
Equipment rental and repair	-	305	(305)
Telephone	500	677	(177)
Advertising	500	32	468
Dues and memberships	500	75	425
Miscellaneous	1,400	249	1,151
Depreciation	-	919	(919)
Total expenses	<u>140,825</u>	<u>597,077</u>	<u>(456,252)</u>
Total revenue (deficiency) in excess of expenses	<u>\$ (13,605)</u>	<u>\$ (13,466)</u>	<u>\$ 139</u>

See independent auditors' report and notes to financial statements.