

**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, 2015

**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, 2015

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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, 2015 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.

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 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.

Report on Summarized Comparative Information

We have previously audited the Authority's 2014 financial statements, and our report dated March 18, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it had been derived.

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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1H and Note 5 in the notes to the financial statements which disclose the effects of the Authority's adoption of the provisions of GASB Statement Nos. 68 "*Accounting and Financial Reporting for Pensions*" and 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents 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 April 21, 2016 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 April 21, 2016 on our consideration of the Authority's compliance with Section 2925(3)(f) 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.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
April 21, 2016

Rockland County Solid Waste Management Authority

Management's Discussion and Analysis (MD&A)
December 31, 2015

Introduction

The discussion and analysis of the Rockland County Solid Waste Management Authority's ("Authority") financial statements provides an overview of the Authority's financial activities for the year ended December 31, 2015. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

For the year ended December 31, 2015, the Authority implemented GASB Statement no. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71 "Pension Transition for Contributions made Subsequent to the Measurement Date". As a result of adopting these standards, the Authority's financial statements reflect a cumulative effect for the change in accounting principle of \$99,446. Refer to Note 1H for further information.

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,	
	2015	2014
Operating Revenues	\$ 50,987,057	\$ 47,964,705
Non-operating Revenues	1,970,027	1,755,408
Total Revenues	52,957,084	49,720,113
Operating Expense	45,955,670	43,996,650
Non-Operating Expense, net	2,476,635	2,808,125
Total Expenses	48,432,305	46,804,775
Change in Accounting Estimate	-	1,689,933
Increase in Net Position	\$ 4,524,779	\$ 4,605,271

As of December 31, 2015, total assets reported by the Authority were \$90.3 million and total liabilities were \$61.9 million. Net Position, which represent the equity of the Authority, increased by \$4,524,779. The increase in net position was due to several factors. During 2015, prices of commodities sold at the Materials Recovery Facility (MRF) were greater than anticipated by \$772,820 and corresponding MRF expenditures were \$180,915 less than anticipated due to less tonnage processed. Transfer station tipping fees net of expenditures exceeded budget by \$2.6 million due to increased tonnage of municipal solid waste and construction debris. In addition the Authority received an insurance recovery of \$1.3 million for repairs made to the Co-Composting Facility in 2014.

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,	
	2015	2014
Current Assets	\$ 26,809,715	\$ 26,570,287
Capital Assets, Net	36,672,204	36,224,593
Other Non-Current Assets	26,893,157	27,866,061
Total Assets	90,375,076	90,660,941
Deferred Outflows of Resources	526,302	99,047
Current Liabilities	10,081,618	11,175,410
Non-Current Liabilities	51,879,153	55,268,196
Total Liabilities	61,960,771	66,443,606
Net Position	\$ 28,940,607	\$ 24,316,382

Current Assets

Current assets as of December 31, 2015 are primarily composed of cash and cash equivalents (restricted and unrestricted) and investments totaling \$24.5 million. The remaining \$2.3 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, 2015 are composed of restricted cash and cash equivalents totaling \$11.4 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 \$74,387 and \$451,915 for pension plans in accordance with GASB Statement No. 68.

Current Liabilities

Current liabilities consist mainly of accounts payable and accrued liabilities totaling \$5.9 million. The majority of the current liabilities decrease over prior year was due to a decrease of accruals for 2015. The current portion of bonds payable is \$4.17 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 \$47.59 million. In addition, the Authority's post employment benefit obligation payable as per Governmental Accounting Standards Board (GASB) 45 is \$4,100,438 an increase of \$429,410. In 2015, we implemented GASB Statement No. 68 to record our share of the Net Pension Liability which amounted to \$235,590.

Capital Assets, Net

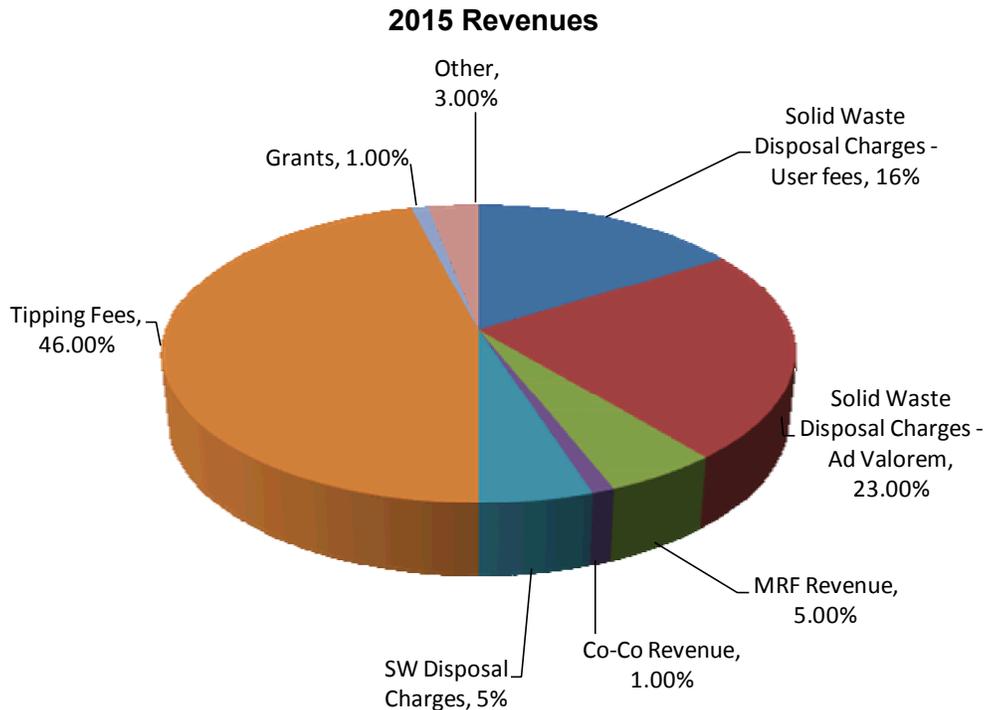
The Authority began to depreciate its capital assets in July 1998. The capitalization threshold was established at \$5,000 per unit. This resulted in a depreciation expense for the year ended December 31, 2015 of \$3,679,061 and a total accumulated depreciation of \$46,153,168.

A comparative summary of capital assets is as follows:

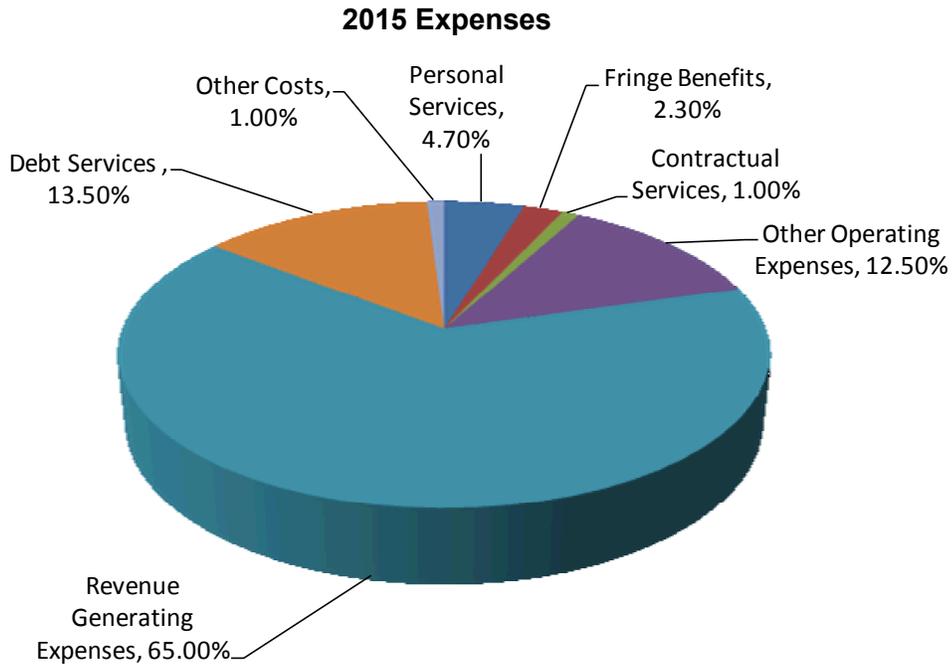
	December 31,	
	2015	2014
Capital Assets		
Land	\$ 6,718,705	\$ 6,718,705
Construction-in-Progress	413,310	1,987,562
Buildings and Land Improvements	55,575,163	50,743,935
Machinery and Equipment	20,118,194	19,248,498
Total Capital Assets	82,825,372	78,698,700
Less Accumulated Depreciation		
Buildings and Land Improvements	31,442,655	28,809,650
Machinery and Equipment	14,710,513	13,664,457
Total Accumulated Depreciation	46,153,168	42,474,107
Net Capital Assets	\$ 36,672,204	\$ 36,224,593

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, 2015 were \$50.98 million. Non operating revenues totaled approximately \$1.97 million.



Solid Waste Disposal Charges (both user fees and ad valorem) represented 39% 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 46% 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.



Total operating expenses for the year were \$43.9 million. Non-operating expenses for the year were \$2.8 million. Other operating expenses, other costs and contractual services represented 14.5% of expenses. Personnel and fringe benefit costs represented 7.0% of expenses. Revenue generating expenses (those related to the operation of the Authority's facilities) represented 65% of expenses. Debt Service represented 13.5% 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 2015 as compared to 2014. 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. In 2015, the authority completed improvements to MRF Equipment, including the baler and conveyor and installed a new vacuum system that expanded sort stations to include more material.

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, 2014 the Co-composting Facility ceased operations due to a roof cave in during a heavy snow storm. The facility was repaired and improved. It resumed operations in July, 2015. The damages were 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 485 tons of e-waste in 2015. There was a 150 ton increase in the recycling of e-waste at the Authority in 2015. 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.

Food Recovery Initiative

In order to conserve landfill space and protect the environment, the RCSWMA has been addressing the need for increased composting of food and yard waste organics that, combined, comprise approximately 28% of the waste stream. Our composting initiatives include a partnership with Cornell Cooperative Extension to promote backyard and on-site composting of organics. This partnership includes at-cost compost bin sales for residents, schools and small businesses, as well as composting education presentations throughout the County. We have successfully composited organics from a select number of generators in our Biosolids Composting Facilities (Cocomposting Facility) and our Aerated Static Pile pilot site.

Since waste reduction is a priority, the RCSWMA has also been working with local, state and federal agencies to not only minimize wasted food, but to increase diversion of usable food to agencies whose mission is to feed hungry people. The RCSWMA applied for state funding to assist food banks and local food pantries with the acquisition of equipment to increase their storage and delivery capacity.

This movement has created a wonderful synergy between agencies involved in waste management and food recovery.

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

Statement of Net Position
 December 31, 2015
 (With Comparative Amounts for December 31, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 24,486,271	\$ 22,403,720
Accounts receivable, net of allowance for uncollectible accounts of \$387,405 in 2015 and \$312,670 in 2014	1,483,947	3,230,985
Grants receivable from other governments	473,320	540,826
Prepaid expenses and other receivables	<u>366,177</u>	<u>394,756</u>
Total Current Assets	<u>26,809,715</u>	<u>26,570,287</u>
Noncurrent assets		
Cash and cash equivalents - Restricted	8,859,141	9,832,045
Investments - Restricted	2,527,270	2,527,270
Intangible assets	15,506,746	15,506,746
Capital assets, not being depreciated	7,132,015	8,706,267
Capital assets being depreciated, net	<u>29,540,189</u>	<u>27,518,326</u>
Total Noncurrent Assets	<u>63,565,361</u>	<u>64,090,654</u>
Total Assets	<u>90,375,076</u>	<u>90,660,941</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>526,302</u>	<u>99,047</u>
LIABILITIES		
Current liabilities		
Accounts payable	5,320,110	6,744,162
Accrued liabilities	402,649	263,829
Accrued interest payable	115,879	123,615
Non-current liabilities - Due within one year	<u>4,242,980</u>	<u>4,043,804</u>
Total Current Liabilities	10,081,618	11,175,410
Non-current liabilities - Due in more than one year	<u>51,879,153</u>	<u>55,268,196</u>
Total Liabilities	<u>61,960,771</u>	<u>66,443,606</u>
NET POSITION		
Net investment in capital assets	9,379,719	6,474,293
Unrestricted	<u>19,560,888</u>	<u>17,842,089</u>
Total Net Position	<u>\$ 28,940,607</u>	<u>\$ 24,316,382</u>

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, 2015
(With Comparative Amounts for Year Ended December 31, 2014)

	2015	2014
OPERATING REVENUES		
Solid waste disposal charges	\$ 50,987,057	\$ 47,964,705
OPERATING EXPENSES		
Personal services	2,329,172	2,233,702
Employee benefits	1,018,265	1,093,306
Other post employment benefit obligations	429,410	493,542
Contractual services	38,499,762	36,651,247
Depreciation	3,679,061	3,524,853
Total Operating Expenses	45,955,670	43,996,650
Operating Income	5,031,387	3,968,055
NON-OPERATING REVENUES (EXPENSES)		
Interest income	143,493	154,738
Interest expense	(2,476,635)	(2,808,125)
State aid	448,787	435,871
Gain on disposal of capital assets	34,235	55,340
Gain on impairment of capital asset	-	1,109,459
Insurance recoveries	1,343,512	-
Total Non-Operating Expenses, net	(506,608)	(1,052,717)
Income Before Change in Accounting Estimate	4,524,779	2,915,338
CHANGE IN ACCOUNTING ESTIMATE		
Other post employment benefit obligations	-	1,689,933
Change in Net Position	4,524,779	4,605,271
NET POSITION		
Beginning of Year, as reported	24,316,382	19,711,111
Change in Accounting Principle	99,446	-
Beginning of Year, as restated	24,415,828	19,711,111
End of Year	\$ 28,940,607	\$ 24,316,382

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
Year Ended December 31, 2015
(With Comparative Amounts for Year Ended December 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections of solid waste disposal charges	\$ 52,734,095	\$ 48,257,360
Payments to vendors	(39,801,690)	(36,580,943)
Payments for salaries and benefits	(3,322,944)	(3,315,001)
Net Cash from Operating Activities	<u>9,609,461</u>	<u>8,361,416</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State aid	<u>516,293</u>	<u>956,923</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayments of bonds	(3,985,434)	(3,755,000)
Repayments of capital lease	-	(174,052)
Restricted investments	-	598,262
Purchase of capital assets	(4,126,672)	(2,092,124)
Interest paid	(2,425,241)	(2,666,305)
Proceeds from disposal of capital asset	34,235	55,340
Proceeds from gain on impairment of capital asset	-	467,886
Proceeds from insurance recoveries	1,343,512	-
Net Cash from Capital and Related Financing Activities	<u>(9,159,600)</u>	<u>(7,565,993)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>143,493</u>	<u>154,738</u>
Net Change in Cash and Cash Equivalents	1,109,647	1,907,084
CASH AND CASH EQUIVALENTS		
Beginning of Year	<u>32,235,765</u>	<u>30,328,681</u>
End of Year	<u>\$ 33,345,412</u>	<u>\$ 32,235,765</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 24,486,271	\$ 22,403,720
Cash and cash equivalents - Restricted	8,859,141	9,832,045
	<u>\$ 33,345,412</u>	<u>\$ 32,235,765</u>

(Continued)

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

Statement Of Cash Flows (Continued)
Year Ended December 31, 2015
(With Comparative Amounts for Year Ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	\$ 5,031,387	\$ 3,968,055
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	3,679,061	3,524,853
Changes in operating assets and liabilities		
Accounts receivable	1,747,038	292,655
Prepaid expenses and other receivables	28,579	(53,153)
Deferred outflows of resources	(37,335)	-
Accounts payable	(1,424,052)	717,472
Accrued liabilities	138,820	(588,558)
Compensated absences	96,097	6,550
Net pension liability	(79,544)	-
Other post employment benefit obligations payable	429,410	493,542
Net Cash from Operating Activities	<u>\$ 9,609,461</u>	<u>\$ 8,361,416</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND FINANCING ACTIVITIES		
Amortization of bond premium and discount	34,470	129,128
Amortization of loss on refunding	24,660	24,660

See notes to financial statements.

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

Notes to Financial Statements
December 31, 2015

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.

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.

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

Notes to Financial Statements (Continued)
December 31, 2015

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 Authority 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, 2015.

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. As the GASB is silent and has not issued a standard on goodwill, the Authority adopted FASB guidance on goodwill impairment testing which allows an entity to first assess qualitative factors to determine

**Rockland County Solid Waste Management Authority
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Notes to Financial Statements (Continued)
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

whether it is more likely than not that goodwill may be 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, 2015, the Authority has reported deferred outflows of resources of \$74,387 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.

The Authority also reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the Authority's pension plans in Note 5.

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

Notes to Financial Statements (Continued)
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Net Pension Liability

The net pension liability represents the Authority's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*".

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, 2014, from which the comparative information was derived.

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

Notes to Financial Statements (Continued)
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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 April 21, 2016.

H. Cumulative Effect of Change in Accounting Principle

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. These statements also require the identification of the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. As a result of adopting these standards, the Authority's financial statements reflect a cumulative effect for the change in accounting principle of \$99,446.

I. Reclassifications of Prior Year Information

Certain prior year amounts have been reclassified for consistency with the current period presentation.

Note 2 - Cash and Equivalents

Restricted Cash and Equivalents

The carrying amounts of the Authority's restricted deposits at December 31, 2015 was \$8,859,141. 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, 2015 consisted of the following

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
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
			<u>\$ 2,527,270</u>

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

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

Notes to Financial Statements (Continued)
 December 31, 2015

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 6,718,705	\$ -	\$ -	\$ 6,718,705
Construction in progress	1,987,562	3,730,749	(5,305,001)	413,310
Total capital assets not being depreciated	8,706,267	3,730,749	(5,305,001)	7,132,015
Capital assets being depreciated				
Buildings	48,323,881	4,831,228	-	53,155,109
Land improvements	2,420,054	-	-	2,420,054
Machinery and equipment	19,248,498	869,696	-	20,118,194
Total capital assets being depreciated	69,992,433	5,700,924	-	75,693,357
Less accumulated depreciation for Capital assets being depreciated				
Buildings	28,035,233	2,536,203	-	30,571,436
Land improvements	774,417	96,802	-	871,219
Machinery and equipment	13,664,457	1,046,056	-	14,710,513
Total accumulated depreciation	42,474,107	3,679,061	-	46,153,168
Total capital assets being depreciated, net	27,518,326	2,021,863	-	29,540,189
Capital assets, net	<u>\$ 36,224,593</u>	<u>\$ 5,752,612</u>	<u>\$ (5,305,001)</u>	<u>\$ 36,672,204</u>

Note 5 - Long-Term Liabilities

	Balance January 1, 2014	Cumulative Effect of Change in Accounting Principle	Balance as Restated January 1, 2014	New Issues/ Additions	Maturities and/or Payments and Other	Balance December 31, 2015	Due Within One Year
Bonds Payable							
Capital construction	\$ 42,906,826	\$ -	\$ 42,906,826	\$ -	\$ 3,489,849	\$ 39,416,977	\$ 3,645,625
Other	12,848,608	-	12,848,608	-	495,585	12,353,023	529,375
	55,755,434	-	55,755,434	-	3,985,434	51,770,000	4,175,000
Bond premium and discount	(698,164)	-	(698,164)	-	(34,470)	(663,694)	-
	55,057,270	-	55,057,270	-	3,950,964	51,106,306	4,175,000
Compensated absences	583,702	-	583,702	154,467	58,370	679,799	67,980
Net pension liability	-	315,134	315,134	-	79,544	235,590	-
Other post employment benefit obligations payable	3,671,028	-	3,671,028	429,410	-	4,100,438	-
Total Other Noncurrent Liabilities	4,254,730	315,134	4,569,864	583,877	137,914	5,015,827	67,980
Governmental Activities Long-Term Liabilities	<u>\$ 59,312,000</u>	<u>\$ 315,134</u>	<u>\$ 59,627,134</u>	<u>\$ 583,877</u>	<u>\$ 4,088,878</u>	<u>\$ 56,122,133</u>	<u>\$ 4,242,980</u>

Rockland County Solid Waste Management Authority
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Notes to Financial Statements (Continued)
 December 31, 2015

Note 5 - Long-Term Liabilities (Continued)

Bonds Payable

Bonds Payable consisted of the following issues:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding at December 31, 2015</u>
Public Improvements	2003	\$ 15,273,468	December, 2025	5.459 - 6.189	\$ 8,665,000
Public Improvements	2006	10,080,000	December, 2021	4.250 - 5.000	4,780,000
Public Improvements	2008	27,535,000	December, 2033	5.375 - 6.500	21,935,000
Public Improvements	2010	7,900,000	December, 2024	3.250 - 4.000	6,805,000
Public Improvements	2010	2,250,000	December, 2018	3.125 - 3.500	905,000
Public Improvements	2013	3,270,434	November, 2029	1.143 - 4.083	2,795,000
Public Improvements	2014	6,495,000	December, 2028	3.180	5,885,000
					<u>\$ 51,770,000</u>

Interest expense was \$2,476,635 for the year ended December 31, 2015, including \$59,130 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, 2015, including interest of \$15,046,981 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,035,000	1,668,678	6,703,678
2021-2025	25,905,000	4,169,702	30,074,702
2026-2030	2,760,000	270,294	3,030,294
2031-2033	150,000	29,250	179,250
	51,770,000	<u>\$ 15,046,981</u>	<u>\$ 66,816,981</u>
Less: Unamortized original issue premium and discount	<u>(663,694)</u>		
	<u>\$ 51,106,306</u>		

**Rockland County Solid Waste Management Authority
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Notes to Financial Statements (Continued)
December 31, 2015

Note 5 - Long-Term Liabilities (Continued)

Compensated Absences

Unused vacation time or compensatory time may be carried forward to subsequent years with no maximum limitation, which is in accordance with the Authority's policies. 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, 2015 was \$679,799.

Pension Plans

Employees' Retirement System

The Authority participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory except for employees who joined after July 2, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. Contribution rates for the plan's year ending in 2016 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
4 A15	18.6 %
5 A15	15.3
6 A15	10.4

At December 31, 2015, the Authority reported a liability of \$235,590 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Authority's proportion was

**Rockland County Solid Waste Management Authority
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Notes to Financial Statements (Continued)
December 31, 2015

Note 5 - Long-Term Liabilities (Continued)

.0069737%. For this first year of implementation, the ERS reported no change in the allocation percentage measured as of March 31, 2014.

For the year ended December 31, 2015, the Authority recognized pension expense of \$227,796. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to the ERS from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 7,542
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	40,919
Changes in proportion and differences between Authority contributions and proportionate share of contributions	58,779
Authority contributions subsequent to the measurement date	<u>344,675</u>
	<u><u>\$ 451,915</u></u>

The amount of \$344,675 reported as deferred outflows of resources related to the ERS resulted from the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended March 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the ERS will be recognized in pension expense as follows:

	<u>Year Ended March 31,</u>	
	2016	\$ 26,810
	2017	26,810
	2018	26,810
	2019	26,810

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

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

Notes to Financial Statements (Continued)
December 31, 2015

Note 5 - Long-Term Liabilities (Continued)

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

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

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

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standards of Practice (“ASOP”) no. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized below.

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

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the ERS’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**Rockland County Solid Waste Management Authority
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Notes to Financial Statements (Continued)
December 31, 2015

Note 5 - Long-Term Liabilities (Continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	<u>\$ 1,570,312</u>	<u>\$ 235,590</u>	<u>\$ (891,245)</u>

The components of the current year net pension liability of the ERS as of March 31, 2015, were as follows:

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

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.

**Rockland County Solid Waste Management Authority
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Notes to Financial Statements (Continued)
December 31, 2015

Note 5 - Long-Term Liabilities (Continued)

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.

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:

<u>Year Ended December 31,</u>	<u>Healthcare Cost Trend Rate</u>
2016	8.00 %
2017	7.50
2018	7.00
2019	6.50
2020	6.00
2021	5.50
2022+	5.00

The Authority has a Net OPEB Obligation reflecting the full Unfunded Accrued Liability and no longer needs 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, 2015 was as follows:

Active Employees	27
Retired Employees	<u>-</u>
Total	<u><u>27</u></u>

**Rockland County Solid Waste Management Authority
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Notes to Financial Statements (Continued)
December 31, 2015

Note 5 - Long-Term Liabilities (Continued)

Amortization Component:	
Actuarial Accrued Liability as of 1/1/14	\$ 3,671,028
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 3,671,028</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 2,329,172</u>
UAAL as a Percentage of Covered Payroll	<u>158%</u>
Annual Required Contribution	\$ 310,799
Interest on Net OPEB Obligation	146,841
Adjustment to Annual Required Contribution	<u>(28,230)</u>
Annual OPEB Cost	429,410
Contributions Made	<u>-</u>
Decrease in Net OPEB Obligation	429,410
Net OPEB Obligation - Beginning of Year	<u>3,671,028</u>
Net OPEB Obligation - End of Year	<u>\$ 4,100,438</u>

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:

<u>Fiscal Year Ended December 31, 2015</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 429,410	- %	4,100,438
2014	493,542	-	3,671,028
2013	504,610	-	4,867,419

Note 6 - 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.

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

Notes to Financial Statements (Continued)
December 31, 2015

Note 7 - 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 \$4,640,068 in 2015, which is maintained with the trustee of the bonds. In addition, at December 31, 2015, the trustee held \$6,746,343 for the purchase and construction of facilities. These amounts, totaling \$11,386,411 for 2015, have been reflected as restricted cash and investments on the statement of net position.

Debt Covenants

The Authority at December 31, 2015 is subject to debt and revenue ratios required under the covenants of the seven bonds outstanding at that date.

Note 8 - Litigation

The litigation between the Authority and an independent contractor concerns three separate solid waste/recyclables collection contracts in three New York villages. In August, 2015, the Authority exercised its right under the collection contracts and consistent with its standing policy for haulers to require the independent contractor to either have a credit card or escrow account on file to cover accrued "tipping fees" at the Authority's facilities. The independent contractor refused to comply and was subsequently prohibited from disposing at the Authority's facilities. In response, the independent contractor breached the collection contracts by refusing to perform the services anymore. The Authority was forced to procure emergency collection services for the three Villages and is currently in the process of procuring full-time contractors to take over the collection services. The Authority alleges that the independent contractor breached its obligations under the Village Contracts and that both the emergency procurements and the permanent replacement contracts have caused the Authority to expend significant monies that they otherwise would not have expended. The Insurance Company that holds the performance bond on two of the Village Contracts is a necessary party to the litigation. On February 24, 2016, the independent contractor filed an Answer with Counterclaims alleging that the Authority breached the Village Contracts by prohibiting the independent contractor from disposing at the Authority facilities, that the Authority's breaches have caused financial harm to the independent contractor, and that the Authority's actions have severely harmed the independent contractor's reputation in the solid waste industry. The Authority is vigorously pursuing its claims and defending the counterclaims. Because of the uncertainty of litigation in general, it is not possible to predict the outcome of this case at this time.

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

Notes to Financial Statements (Concluded)
December 31, 2015

Note 8 - Litigation (Continued)

The Authority commenced litigation against a neighboring municipality on April 1, 2013. The complaint alleges that the Defendants breached the Intermunicipal Sludge Management Agreement with the Authority by failing to deliver all sludge generated within the County to the Authority's Co-Composting Facility. The complaint further alleges that the Defendant breached the Intermunicipal Recyclables Management Agreement with the Authority by failing to deliver all recyclable materials generated within the County to the Authority's Materials Recovery Facility. Defendants have counterclaimed alleging that the Authority refused to accept the defendant's sludge and that the Authority failed to provide accurate and true payment statements as required by the Intermunicipal Recyclables Management Agreement. Because of the uncertainty of litigation in general, it is not possible to predict the outcome of this case at this time.

Note 9 - Subsequent Event

The Chairman of the Authority is also currently the elected Supervisor of the Town of Haverstraw. On April 19, 2016, the previous Chairman of the Authority, resigned from his role as chairman following his arrest on April 14, 2016 on charges of securities fraud in connection with alleged violations of securities laws related to the issuance of municipal bonds for the Town of Ramapo and the Ramapo Local Development Corporation.

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		Unfunded Actuarial		Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
Value of Assets	Accrued Liability	Accrued Liability	Accrued Liability				
2013	\$ -	\$ 2,604,825	\$ 2,604,825	- %	\$ 2,286,839	113.91 %	
2014	-	3,258,078	3,258,078	-	2,233,702	145.86	
2015	-	3,671,028	3,671,028	-	2,329,172	157.61	

Rockland County Solid Waste Management Authority

Required Supplementary Information - Schedule of the
Authority's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2015</u>
Authority's proportion of the net pension liability (asset)	<u>0.0069737%</u>
Authority's proportionate share of the net pension liability (asset)	<u>\$ 235,590</u>
Authority's covered-employee payroll	<u>\$ 1,993,476</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>11.82%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

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

Rockland County Solid Waste Management Authority

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2015</u>
Contractually required contribution	\$ 344,675
Contributions in relation to the contractually required contribution	<u>(344,675)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 2,074,031</u>
Contributions as a percentage of covered-employee payroll	<u>16.62%</u>

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

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

Supplementary Information
Year Ended December 31, 2015

	Adopted Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Solid waste disposal charges				
User fees	\$ 8,760,827	\$ 8,760,827	\$ 8,761,281	\$ 454
Ad valorem	12,641,934	12,641,934	12,653,670	11,736
Recycling facility materials	1,512,000	1,512,000	2,284,820	772,820
Co-Compost facility user charges				
Septage	50,000	50,000	12,849	(37,151)
Out-of-County users	310,500	310,500	57,753	(252,747)
Solid waste collection and disposal charges				
Stony Point	256,276	256,276	256,276	-
Spring Valley	766,410	766,410	768,442	2,032
Village of Haverstraw	579,985	579,985	568,028	(11,957)
Village of Sloatsburg	325,022	325,022	325,022	-
Village of New Hempstead	444,120	444,120	444,461	341
Rockland County	300,000	300,000	313,250	13,250
Transfer station tipping fees/sales	21,390,457	21,390,457	24,452,191	¹ 3,061,734
Other unclassified	72,000	72,000	89,014	17,014
Total Operating Revenues	47,409,531	47,409,531	50,987,057	3,577,526
NON-OPERATING REVENUES				
Interest				
Bank	35,000	35,000	45,031	10,031
Restricted funds	100,000	100,000	98,462	(1,538)
Interest subsidy	243,241	243,241	287,260	44,019
Environmental Protection Facility grants	425,000	425,000	448,787	23,787
Gain on disposal of capital assets	-	-	34,235	34,235
Insurance recoveries	-	-	1,343,512	1,343,512
Total Non-Operating Revenues	803,241	803,241	2,257,287	1,454,046
Total Revenues	\$ 48,212,772	\$ 48,212,772	\$ 53,244,344	\$ 5,031,572

¹ Offset by deficiencies in expenditures

(Continued)

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

Supplementary Information (Continued)
Year Ended December 31, 2015

	Adopted Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES				
Personal Services				
Salaries	\$ 2,251,354	\$ 2,251,354	\$ 2,329,172 ²	\$ (77,818)
Fringe Benefits				
Health and dental	525,000	525,000	542,505	(17,505)
Retirement	375,000	375,000	344,675	30,325
Social security	172,228	172,228	158,568	13,660
Workers' compensation benefits	88,900	88,900	82,555	6,345
Metropolitan commuter transportation mobility tax	7,650	7,650	6,841	809
Total Fringe Benefits	1,168,778	1,168,778	1,135,144	33,634
Contractual Services				
Office furniture and fixtures	2,000	2,000	136	1,864
Data processing equipment	30,000	30,000	6,679	23,321
	32,000	32,000	6,815	25,185
Supplies expense				
Uniforms	2,000	2,000	-	2,000
Motor fuel	8,000	8,000	7,403	597
Office supplies and printing	45,000	45,000	57,531	(12,531)
Equipment	37,000	37,000	-	37,000
Books and publications	6,000	6,000	471	5,529
Operational supplies (leaf bags, recycling bins, etc.)	402,000	402,000	429,007	(27,007)
	500,000	500,000	494,412	5,588
Other Operating Expenses				
Rental of equipment	10,000	10,000	11,728	(1,728)
Travel	10,000	10,000	14,235	(4,235)
Advertising	55,000	55,000	51,594	3,406
Equipment repair	135,000	135,000	94,800	40,200
Painting and building repair	60,000	60,000	57,756	2,244
Cleaning contractor	15,000	15,000	19,208	(4,208)
Fees for services - non-employees	754,100	754,100	832,621	(78,521)
Fees for services - co-composting by-pass	833,241	833,241	833,241	-
Legal fees	1,522,500	1,522,500	1,679,783	(157,283)
Engineering and other professional fees	428,800	428,800	603,749	(174,949)
Postage	22,500	22,500	4,752	17,748
Conferences and schools	10,000	10,000	10,923	(923)
Community partnerships	25,000	25,000	28,832	(3,832)
Repairs to vehicles	5,000	5,000	1,898	3,102
Association dues	2,000	2,000	2,081	(81)
Bid advertising	2,000	2,000	3,490	(1,490)
Maintenance agreements	33,500	33,500	19,421	14,079
Telephone	71,300	71,300	69,092	2,208
Utilities	574,000	574,000	465,822	108,178
Water and sewer	71,500	71,500	53,740	17,760
Meals	-	-	1,469	(1,469)
Household hazardous waste	895,640	895,640	947,459	(51,819)
Certiorari payments	275,000	275,000	42,372	232,628
	5,811,081	5,811,081	5,850,066	(38,985)

(Continued)

² Inclusive of compensated absences accrual not budgeted

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

Supplementary Information (Continued)
Year Ended December 31, 2015

	Adopted Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUE-GENERATING OTHER				
OPERATING EXPENSES				
MRF operating and maintenance fee	\$ 1,730,100	\$ 1,730,100	\$ 1,621,185	\$ 108,915
Co-composting operating and maintenance fee	1,504,447	1,504,447	1,369,570	134,877
Yard waste composting fee	1,166,331	1,166,331	893,918	272,413
Host community fee	3,470,420	3,470,420	3,732,946	(262,526)
Solid waste collection and disposal:				
Stony Point	256,276	256,276	255,987	289
Spring Valley	744,099	744,099	1,028,047	(283,948)
Village of Haverstraw	551,476	551,476	646,686	(95,210)
Village of Sloatsburg	315,552	315,552	347,097	(31,545)
Village of New Hempstead	300,000	300,000	303,685	(3,685)
Rockland County	431,185	431,185	432,531	(1,346)
Recycling rebates	814,000	814,000	823,375	(9,375)
Transfer station rebates	125,000	125,000	104,328	20,672
Transfer station fees	20,079,536	20,079,536	20,292,094	(212,558)
	<u>31,488,422</u>	<u>31,488,422</u>	<u>31,851,449</u>	<u>(363,027)</u>
Other Costs				
Tax related costs	18,000	18,000	16,504	1,496
Insurance premiums	190,000	190,000	200,943	(10,943)
Miscellaneous	55,200	55,200	79,573	(24,373)
	<u>263,200</u>	<u>263,200</u>	<u>297,020</u>	<u>(33,820)</u>
Total Contractual Services	<u>38,094,703</u>	<u>38,094,703</u>	<u>38,499,762</u>	<u>(405,059)</u>
DEBT SERVICE				
Principal	3,985,434	3,985,434	3,985,434	-
Interest	2,712,503	2,712,503	2,763,895	(51,392)
Total Debt Service	<u>6,697,937</u>	<u>6,697,937</u>	<u>6,749,329</u>	<u>(51,392)</u>
Total Expense	<u>\$ 48,212,772</u>	<u>\$ 48,212,772</u>	<u>\$ 48,713,407</u>	<u>\$ (500,635)</u>

(Continued)

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

Supplementary Information (Continued)
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 Slootsburg	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	883,025
Other unclassified	70,800	70,800	95,753	24,953
	<u>46,527,356</u>	<u>46,527,356</u>	<u>47,964,705</u>	<u>1,437,349</u>
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
	<u>752,879</u>	<u>752,879</u>	<u>2,058,293</u>	<u>1,305,414</u>
Total Revenues	<u>\$ 47,280,235</u>	<u>\$ 47,280,235</u>	<u>\$ 50,022,998</u>	<u>\$ 2,742,763</u>

(Continued)

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

Supplementary Information (Continued)
Year Ended December 31, 2014

	Adopted Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES				
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
Total Fringe Benefits	1,190,257	1,190,257	1,093,306	96,951
Contractual Services				
Office Equipment				
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	740,339	740,339	950,758	(210,419)
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
	4,835,161	4,835,161	6,491,392	(1,656,231)

(Continued)

² Inclusive of compensated absences accrual not budgeted

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

Supplementary Information (Continued)
Year Ended December 31, 2014

	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
	<u>31,508,271</u>	<u>31,508,271</u>	<u>29,444,746</u>	<u>2,063,525</u>
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
	<u>262,200</u>	<u>262,200</u>	<u>226,944</u>	<u>35,256</u>
Total Contractual Services	<u>37,061,632</u>	<u>37,061,632</u>	<u>36,651,247</u>	<u>410,385</u>
DEBT SERVICE				
Principal	3,770,000	3,770,000	3,755,000	15,000
Interest	2,998,057	2,998,057	3,111,010	(112,953)
Total Debt Service	<u>6,768,057</u>	<u>6,768,057</u>	<u>6,866,010</u>	<u>(97,953)</u>
Total Expense	<u>\$ 47,280,235</u>	<u>\$ 47,280,235</u>	<u>\$ 46,844,265</u>	<u>\$ 435,970</u>

(Continued)

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

Supplementary Information (Concluded)
 Years Ended December 31, 2015 and 2014

Reconciliation of Supplementary Schedules to Financial Statements

	<u>2015</u>	<u>2014</u>
REVENUES		
Revenues per Supplementary Schedule	\$ 53,244,344	\$ 50,022,998
Adjustment to reconcile supplementary schedule to Statement of Activities		
Interest subsidy	(287,260)	(302,885)
Interest income	(143,493)	(154,738)
State aid	(448,787)	(435,871)
Gain on disposal of capital asset	(34,235)	(55,340)
Gain on impairment of capital asset	-	(1,109,459)
Insurance recoveries	<u>(1,343,512)</u>	<u>-</u>
Operating Revenues per Statement of Activities	<u>\$ 50,987,057</u>	<u>\$ 47,964,705</u>
EXPENSES		
Expenses per Supplementary Schedule	\$ 48,713,407	\$ 46,844,265
Adjustment to reconcile supplementary schedule to Statement of Activities		
Bond principal	(3,985,434)	(3,755,000)
Interest subsidy	(287,260)	(302,885)
Interest expense	(2,476,635)	(2,808,125)
Pension expense	(116,879)	-
Other post employment benefit obligations	429,410	493,542
Depreciation	<u>3,679,061</u>	<u>3,524,853</u>
Operating Expenses per Statement of Activities	<u>\$ 45,955,670</u>	<u>\$ 43,996,650</u>

**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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated April 21, 2016.

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.

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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

April 21, 2016

**Independent Auditors' Report on Compliance with Section 2925(3)(f)
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)(f) 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, 2015. 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, 2015.

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.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
April 21, 2016