

**Rockland County Solid Waste
Management Authority**
(A Component Unit of the County of Rockland, New York)
Financial Report
December 31, 2016 and 2015

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(A Component Unit of the County of Rockland, New York)

Financial Report

December 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors
Rockland County Solid Waste Management Authority
Hilburn, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Rockland County Solid Waste Management Authority (Authority) (a component unit of the County of Rockland, New York) (a New York public benefit corporation), which comprise the statement of net position as of December 31, 2016, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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.

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 financial position of the Authority as of December 31, 2016, and the change in its net position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Financial Statements

The financial statements of the Authority, as of and for the year ended December 31, 2015, were audited by other auditors whose report dated April 21, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 9, and the schedules of funding progress – Other Postemployment Benefits, proportionate share of the net pension liability, local government contributions on pages 28, 30 and 31 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying budget to actual analysis for the year ended December 31, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budget to actual analysis 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 budget to actual information for the year ended December 31, 2016 is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The supplementary information for the year ended December 31, 2015, was audited by the other auditors, whose report dated April 21, 2016, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, 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 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.

BST & CO. CPAs, LLP

Albany, New York
March 17, 2017



Rockland County Solid Waste Management Authority

Management's Discussion and Analysis December 31, 2016

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, 2016. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

Financial Highlights

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

	December 31,	
	2016	2015
Operating revenues	\$ 52,076,842	\$ 50,987,057
Non-operating revenues	786,819	1,970,027
Total revenues	<u>52,863,661</u>	<u>52,957,084</u>
Operating expense	47,428,344	45,955,670
Non-operating expense	2,279,795	2,476,635
Total expenses	<u>49,708,139</u>	<u>48,432,305</u>
Increase in net position	<u>\$ 3,155,522</u>	<u>\$ 4,524,779</u>

Net position, which represents the equity of the Authority, increased by \$3,155,522 during 2016. The increase in net position was due to several factors. During 2016, prices of commodities sold at the Materials Recovery Facility (MRF) were greater than anticipated by \$1,163,248. This was due to a large increase in the price of newspaper, cardboard, and other paper products. Tonnage at the MRF also increased by 3%. Due to low diesel fuel prices in 2016, the Authority realized a savings of \$2.25 million compared to budget.

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 the statement of net position, statement of revenues, expenses, and changes in net position, 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:

Rockland County Solid Waste Management Authority

Management's Discussion and Analysis December 31, 2016

Overview of the Financial Statements - Continued

The *Statement of Net Position* presents information on all of the Authority's assets and deferred outflows and liabilities and deferred inflows, with the difference 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 Revenues, Expenses, and Changes in Net Position* 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 of accrued 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

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,	
	2016	2015
Current assets	\$ 29,981,746	\$ 27,121,761
Restricted assets	11,277,894	11,160,534
Capital assets, net	34,023,642	36,672,204
Other non-current assets	15,506,746	15,506,746
Total assets	<u>90,790,028</u>	<u>90,461,245</u>
Deferred outflows	<u>1,260,758</u>	<u>365,746</u>
Current liabilities	11,644,463	10,693,437
Non-current liabilities	48,176,888	51,192,947
Total liabilities	<u>59,821,351</u>	<u>61,886,384</u>
Deferred inflows	<u>133,306</u>	<u>-</u>
Net position	<u>\$ 32,096,129</u>	<u>\$ 28,940,607</u>

Current Assets

Current assets as of December 31, 2016, are primarily comprised of cash and cash equivalents (unrestricted) totaling \$26.7 million. The remaining \$3.2 million consists of receivables from various sources such as customers (haulers, other governments), state grants and prepaid expenses.

Rockland County Solid Waste Management Authority

Management's Discussion and Analysis December 31, 2016

Restricted Assets

Restricted assets totaling \$11.3 million as of December 31, 2016 are comprised of cash and cash equivalents, investments, and an amount held by trustee representing proceeds from an investment that matured in December 2016.

Other Non-current Assets

Other non-current assets as of December 31, 2016, are comprised of capital and intangible assets.

Deferred Outflows of Resources

Deferred outflows of resources as of December 31, 2016 consist of \$1,260,758 for pension plans in accordance with GASB Statement No. 68.

Current Liabilities

Current liabilities as of December 31, 2016 consist of accounts payable and accrued liabilities and the current portion of bonds payable totaling \$11.6 million. The majority of the current liabilities increase over prior year was due to an increase of accruals for 2016. The current portion of bonds payable is \$4.37 million.

Non-Current Liabilities

There are primarily three components of non-current liabilities. As of December 31, 2016, the non-current portion of bonds payable was \$42.5 million. In addition, the Authority's postemployment benefit obligation calculated in accordance with GASB Statement No. 45 is \$4,552,949, an increase of \$452,826. In 2015, GASB Statement No. 68 was implemented which required the Authority to record its share of the Net Pension Liability. At December 31, 2016, the net pension liability amounted to \$1,077,890.

Capital Assets, Net

The Authority began to depreciate its capital assets in July 1998. The capitalization threshold is established at \$5,000 per unit. Depreciation expense for the year ended December 31, 2016, was \$3,892,577. Total accumulated depreciation at December 31, 2016, was \$50,045,745.

A comparative summary of capital assets is as follows:

	December 31,	
	2016	2015
Capital assets		
Land	\$ 6,718,705	\$ 6,718,705
Construction-in-progress	629,594	413,310
Buildings and land improvements	56,079,886	55,575,162
Machinery and equipment	20,641,202	20,118,195
Total capital assets	<u>84,069,387</u>	<u>82,825,372</u>
Less accumulated depreciation		
Buildings and land improvements	34,209,340	31,442,655
Machinery and equipment	15,836,405	14,710,513
Total accumulated depreciation	<u>50,045,745</u>	<u>46,153,168</u>
Net capital assets	<u>\$ 34,023,642</u>	<u>\$ 36,672,204</u>

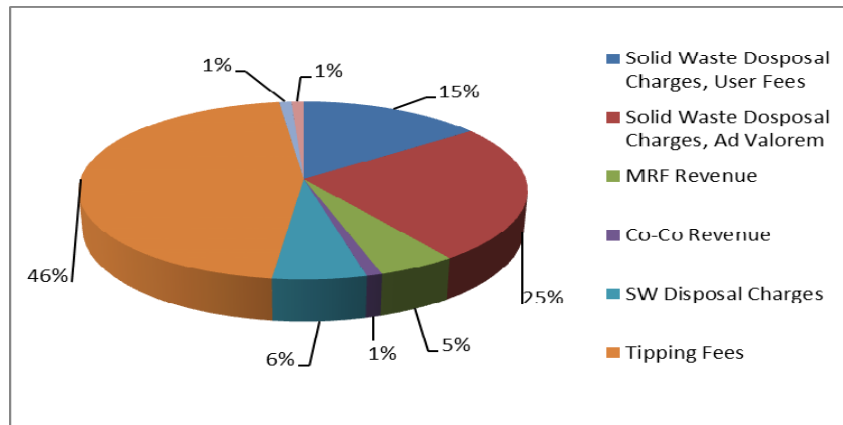
Rockland County Solid Waste Management Authority

Management's Discussion and Analysis December 31, 2016

Statement of Revenues, Expenses, and Changes in Net Position

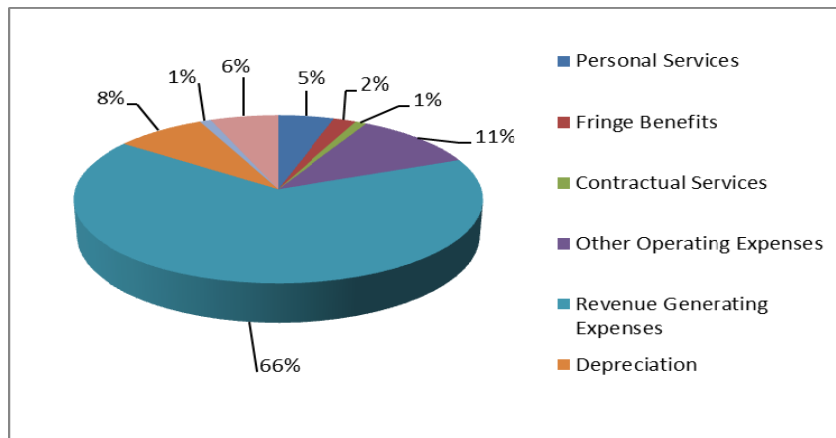
The statement of **revenues, expenses, and changes in net position** presents the Authority's results of operations. The Authority also includes supplemental information regarding detail of revenues and expenses as it relates to the adopted Authority budget. Refer to the Authority's basic financial statements for the complete listing. Total operating revenues of the Authority for the year ended December 31, 2016, were \$52.08 million. Non-operating revenues totaled approximately \$.79 million.

2016 Revenues



Solid Waste Disposal Charges (both user fees and ad valorem) represented 40% of total revenues. Revenues from the Materials Recovery Facility, Co-composting Facility and collection agreements administered by the Authority represented 12% of total revenues. Tipping fees represented 46% of total revenues. Non-operating revenues (bank interest, interest subsidy and insurance recoveries) represented approximately 1% of total revenues. Other revenues, such as grants, represent approximately 1% of total revenues.

2016 Expenses



Total operating expenses for the year were \$47.4 million for 2016. Non-operating expenses for the year were \$2.6 million. Revenue generating expenses (those related to the operation of the Authority's facilities) represented 66% of expenses. Supplies, other operating expenses and other costs represented 18% of expenses. Personnel and fringe benefit costs represented 7.0% of expenses.

Rockland County Solid Waste Management Authority

Management's Discussion and Analysis December 31, 2016

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 2016 as compared to 2015. 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 New York State 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, New York State 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 decreased tonnage 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 addition, outreach efforts with community partners have had a positive impact on tonnage.

In 2016, paper shredding events were established for the residents of the county. Events were held twice in each of the five towns. The program was a success and will be continued in 2017. This year the Authority collaborated with the Carton Council of North America to start receiving and recycling of aseptic and gable top cartons, which includes milk, orange juice, and other waxy cartons. A Capital Equipment Grant in the amount of \$60,000 was provided by the Carton Council to offset costs of retrofitting current equipment to receive these items. With these changes, the MRF has been able to take post-consumer cartons out of the waste stream and send the material to the paper mills.

Rockland County Solid Waste Management Authority

Management's Discussion and Analysis December 31, 2016

Economic Factors That Will Affect the Future - Continued

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, 2016, the Authority had several non-County (merchant tonnage) such as Joint Meeting of Essex and Union Counties Waste Water Treatment Plant, the Town of Guilderland, and the West Point Waste Water Treatment Plant. 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. During 2016, operations continued without incident.

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. The facility collected over 1.1 million pounds of e-waste in 2016, representing an increase of over 20% from the prior year. 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 Authority's residential program at no additional cost to the Authority. The Authority will continue to follow any additional legislation regarding product stewardship. In 2016, the HHW received the Environmental Protection Agency (EPA) Region 2 Environmental Champion Award in recognition of their efforts.

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.

Rockland County Solid Waste Management Authority

Management's Discussion and Analysis
December 31, 2016

Economic Factors That Will Affect the Future - Continued

Food Recovery Initiative

In order to conserve landfill space and protect the environment, the Authority 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 composted organics from a select number of generators in our Biosolids Composting Facilities (Co-composting Facility) and our Aerated Static Pile pilot site.

Since waste reduction is a priority, the Authority 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 Authority applied for state funding to assist food banks and local food pantries with the acquisition of equipment to increase their storage and delivery capacity. In 2016, the Authority received the co-composting permit feed stock to include up to 20 tons of food waste per week.

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

Statements of Net Position

	December 31,	
	2016	2015
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 26,729,125	\$ 24,486,080
Accounts receivable, net	2,221,231	1,710,015
Grants receivable	586,938	473,320
Prepaid expenses	444,452	452,346
Total current assets	29,981,746	27,121,761
RESTRICTED ASSETS		
Cash and cash equivalents	8,732,450	8,633,264
Investments	1,396,671	2,527,270
Held by trustee	1,148,773	-
Total restricted assets	11,277,894	11,160,534
NON-CURRENT ASSETS		
Intangible assets	15,506,746	15,506,746
Capital assets, net	34,023,642	36,672,204
Total noncurrent assets	49,530,388	52,178,950
DEFERRED OUTFLOWS	1,260,758	365,746
	\$ 92,050,786	\$ 90,826,991
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 5,834,245	\$ 5,320,110
Accrued liabilities	1,440,218	1,198,327
Current portion of bonds payable	4,370,000	4,175,000
Total current liabilities	11,644,463	10,693,437
LONG-TERM LIABILITIES		
Bonds payable, net, less current installments	42,546,049	46,856,919
Accrued postemployment benefits	4,552,949	4,100,438
Net pension liability	1,077,890	235,590
Total long-term liabilities	48,176,888	51,192,947
Total liabilities	59,821,351	61,886,384
DEFERRED INFLOWS	133,306	-
NET POSITION		
Net investment in capital assets	9,060,123	9,153,606
Restricted	5,888,936	4,739,709
Unrestricted	17,147,070	15,047,292
Total net position	32,096,129	28,940,607
	\$ 92,050,786	\$ 90,826,991

See accompanying Notes to Financial Statements.

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

Statements of Revenues, Expenses, and Changes In Net Position

	Years Ended December 31,	
	2016	2015
OPERATING REVENUES		
Solid waste disposal charges	\$ 52,076,842	\$ 50,987,057
OPERATING EXPENSES		
Personal services	2,462,824	2,329,172
Employee benefits	1,223,456	1,018,265
Other postemployment benefit obligations	452,511	429,410
Contractual services	39,396,976	38,499,762
Depreciation	3,892,577	3,679,061
	47,428,344	45,955,670
Operating Income	4,648,498	5,031,387
NONOPERATING REVENUES (EXPENSES)		
Interest income	184,819	143,493
Interest expense	(2,279,795)	(2,476,635)
Grants	586,938	448,787
Gain on disposal of capital assets	-	34,235
Insurance recoveries	15,062	1,343,512
	(1,492,976)	(506,608)
Change in net position	3,155,522	4,524,779
NET POSITION, <i>beginning of year</i>	28,940,607	24,415,828
NET POSITION, <i>end of year</i>	\$ 32,096,129	\$ 28,940,607

See accompanying Notes to Financial Statements.

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

Statements of Cash Flows

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections of solid waste disposal charges	\$ 51,565,626	\$ 52,734,095
Payments to vendors	(38,874,947)	(39,801,690)
Payments for salaries and benefits	(3,363,795)	(3,322,944)
	9,326,884	9,609,461
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayments of bonds	(4,175,000)	(3,985,434)
Purchase of capital assets	(1,244,015)	(4,126,672)
Interest paid	(2,220,665)	(2,425,241)
Grants	473,320	516,293
Proceeds from disposal of capital asset	-	34,235
Proceeds from insurance recoveries	15,062	1,343,512
	(7,151,298)	(8,643,307)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash and cash equivalents	(99,186)	972,713
Interest income	184,819	143,493
Maturity of investments	1,130,599	-
Held by trustee	(1,148,773)	-
	67,459	1,116,206
 Net increase in cash and cash equivalents	2,243,045	2,082,360
 CASH AND CASH EQUIVALENTS, beginning of year	24,486,080	22,403,720
 CASH AND CASH EQUIVALENTS, end of year	\$ 26,729,125	\$ 24,486,080
 RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	\$ 4,648,498	\$ 5,031,387
Adjustments to reconcile operating income to net cash provided (used) from operating activities		
Depreciation	3,892,577	3,679,061
Provision for bad debt	(2,316)	
Changes in operating assets and liabilities		
Accounts receivable, net	(508,900)	1,747,038
Prepaid expenses	7,894	28,579
Deferred outflows	(895,012)	(37,335)
Accounts payable	514,135	(1,424,052)
Accrued liabilities	241,891	234,917
Accrued postemployment benefits	452,511	429,410
Net pension liability	842,300	(79,544)
Deferred inflows	133,306	-
	\$ 9,326,884	\$ 9,609,461

See accompanying 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, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies

a. Nature of Business

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 to operate and maintain solid waste management facilities for the benefit of the residents of the County of Rockland, New York (County). The Authority was established in 1993 and became operational in 1995. The Authority is administered by seventeen members: Eight 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.

b. Basis of Accounting and Presentation of Financial Statements

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows and inflows of resources associated with the operations are included on the statements of net position.

Net position is classified as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets, liabilities, and deferred outflows and inflows of resources that do not meet the definition of "restricted net position" or "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
December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Basis of Accounting and Presentation of Financial Statements - Continued

Revenues are recognized as services are provided, and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. Operating expenses include the cost of personal and contractual services, materials and supplies, utilities, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Authority is considered a component unit of Rockland County as the county appoints the majority of the Authority's Board and as such can impose its will on the Authority.

c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. New Accounting Pronouncement

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements.

The Authority adopted this accounting standard effective January 1, 2016.

e. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, and other short-term investments, whether unrestricted or restricted, with an original maturity of three months or less.

Investments in securities include repurchase agreements, investment contracts, and U.S. Treasury Bond State and Local Government Series (SLUG) investment. The repurchase agreements and investments contracts are recorded at cost pursuant to GASB 31. The SLUG is recorded at fair value.

Cash, cash equivalents, and investments are fully collateralized by either federal depository insurance or securities held by the pledging bank's trust department in the Authority's name.

Cash, cash equivalents, and investments, restricted, consist of amounts held by trustees in reserve funds established in connection with various bond issues. The Authority's restricted cash and cash equivalents are considered investments for cash flow purposes.

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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Receivables, Net

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts was \$384,328 and \$387,405 at December 31, 2016 and 2015, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as a recovery of bad debt when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 15 days. Interest is not charged on late accounts receivable.

g. Intangible Assets

Intangible assets represent goodwill. Goodwill is the excess of the purchase price of an acquired entity over the fair value of the 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 Financial Accounting Standards Board guidance on goodwill impairment testing which allows an entity to first assess qualitative factors to determine whether it is more likely that 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: (1) income; (2) discounted cash flows, or (3) 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.

h. Capital Assets, Net

Capital assets, net, are recorded at cost, except for contributed property and equipment, which are recorded at fair value or the contributor's net book value if fair value is not readily ascertainable. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. The Authority uses a capitalization threshold of \$5,000 to analyze expenditures for capitalization. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to income.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, using the straight-line method. The estimated useful lives used in determining depreciation are as follows:

Buildings	5 to 20 years
Land Improvement	25 years
Machinery and equipment	3 to 20 years

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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Capital Assets, Net - Continued

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value.

Interest expenses incurred during construction of assets are capitalized. Constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) include capitalized interest to the extent that interest cost (including any related financing costs) over the asset construction period exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing.

i. Deferred Inflows/Outflows 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) 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, 2016 and 2015, the Authority has reported deferred outflows of resources of \$1,260,758 and 365,726, respectively, related to the net pension liability (see Note 6). As of December 31, 2016, the Authority has reported deferred inflows of resources of \$133,306 related to the net pension liability (see Note 6). There were no deferred inflows related to the net pension liability as of December 31, 2015.

j. Accrued Postemployment Benefits

In addition to providing pension benefits, the Authority provides health insurance coverage for certain retired employees. Healthcare benefits are provided through insurance companies whose premiums are based on the benefits provided.

k. Bond Premiums and Discounts

Bond premiums and discounts are presented as components of bonds payable. The premiums and discounts are amortized over the life of the bonds on a method that approximates the effective interest method. Net amortization related to bond premiums and discounts approximated \$59,000 for 2016 and 2015 and are included within interest expense.

l. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 17, 2017, the date the financial statements were available to be issued.

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Note 2 - Restricted Assets

In accordance with the terms of the Authority's bond resolution, the use of certain Authority assets is restricted for specific purposes as summarized below:

	December 31,	
	2016	2015
<i>Debt Service Reserve Fund</i>		
Contingency fund to be utilized in case of default	\$ 6,537,493	\$ 6,420,590
<i>Construction Projects Fund and Improvement Fund</i>		
Additional capital expenditures which may be incurred by the Authority	4,740,163	4,739,709
<i>Other Funds</i>		
Restricted assets required for debt service	238	235
	\$ 11,277,894	\$ 11,160,534

At December 31, 2016, Bank of New York, as trustee for the Authority, held \$1,148,773 of Authority funds, representing proceeds from an investment that matured in December 2016.

Note 3 - Investments

The Authority had the following investments and maturities:

	December 31, 2016				
	Investment Maturities (In Years)				
	Amount	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Bond State and Local Government Series	\$ 841,020	\$ -	\$ -	\$ 841,020	\$ -
Investment agreement	555,651	-	-	555,651	-
Total investments	\$ 1,396,671	\$ -	\$ -	\$ 1,396,671	\$ -
	December 31, 2015				
	Investment Maturities (In Years)				
	Amount	Less than 1	1 to 5	6 to 10	More than 10
Repurchase agreements	\$ 1,130,599	\$ 1,130,599	\$ -	\$ -	\$ -
U.S. Treasury Bond State and Local Government Series	841,020	-	-	841,020	-
Investment agreement	555,651	-	-	555,651	-
Total investments	\$ 2,527,270	\$ 1,130,599	\$ -	\$ 1,396,671	\$ -

a. Credit Risk

All of the Authority's deposits with financial institutions were either covered by Federal Deposit Insurance Corporation insurance or fully collateralized by authorized investments of the pledging financial institution.

The Authority's investment policy limits investments to obligations of the United States of America or any state of the United State of America; bonds, debentures, or notes issued by certain federal agencies; certificates of deposit; savings accounts; deposit accounts; depository receipts of banks; public housing bonds; repurchase agreements or investment agreements; money market funds, commercial paper; advance-refunded municipal bonds; or tax-exempt obligations. All of the Authority's investments had a credit rating AA or higher by major rating agencies.

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Notes to Financial Statements
December 31, 2016 and 2015

Note 3 - Investments - Continued

b. Custodial Credit Risk

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held either by (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. All of the Authority's investments are held under its name with the trustee.

c. Interest Rate Risk

The fair value of the Authority's fixed maturity investments fluctuate in response to changes in market interest rates. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument, and other general market conditions. The Authority plans to hold its restricted investments to maturity, which minimizes the occurrence of loss on investments.

d. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the Authority's investment in single issues. The Authority's holdings are as follows:

	December 31,	
	2016	2015
Repurchase agreements	0%	45%
U.S. Treasury Bond State and Local Government Series	60%	33%
Investment agreement	40%	22%

e. Fair Value Measurements

The Authority categorizes its fair value measurements into the fair value hierarchy established by GASB Statement No. 72. The three levels of inputs used to measure fair value are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Authority has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

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Note 3 - Investments - Continued

e. Fair Value Measurement- Continued

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

U.S. Treasury Bond State and Local Government Series investments held at December 31, 2016 and 2015 are categorized as Level 2 in the fair value hierarchy with fair value determined by the bond trustee, which approximates cost.

Note 4 - Capital Asset, Net

A summary of changes in the Authority's capital assets is as follows:

	December 31, 2016			Balance December 31, 2016
	Balance December 31, 2015	Additions	Retirements/ Disposals and Transfers	
Capital assets not being depreciated				
Land	\$ 6,718,705	\$ -	\$ -	\$ 6,718,705
Construction in progress	413,310	716,692	(500,408)	629,594
Capital assets not being depreciated	<u>7,132,015</u>	<u>716,692</u>	<u>(500,408)</u>	<u>7,348,299</u>
Capital assets being depreciated				
Buildings	53,155,108	504,724	-	53,659,832
Land Improvement	2,420,054	-	-	2,420,054
Machinery and equipment	20,118,195	523,007	-	20,641,202
Capital assets being depreciated	<u>75,693,357</u>	<u>1,027,731</u>	<u>-</u>	<u>76,721,088</u>
Less accumulated depreciation				
Buildings	30,571,436	2,669,883	-	33,241,319
Land improvements	871,219	96,802	-	968,021
Machinery and equipment	14,710,513	1,125,892	-	15,836,405
Total accumulated depreciation	<u>46,153,168</u>	<u>3,892,577</u>	<u>-</u>	<u>50,045,745</u>
Capital assets being depreciated, net	<u>29,540,189</u>	<u>(2,864,846)</u>	<u>-</u>	<u>26,675,343</u>
Capital assets, net	<u>\$ 36,672,204</u>	<u>\$ (2,148,154)</u>	<u>\$ (500,408)</u>	<u>\$ 34,023,642</u>

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December 31, 2016 and 2015

Note 4 - Capital Asset, Net - Continued

	December 31, 2015			Balance December 31, 2015
	Balance December 31, 2014	Additions	Retirements/ Disposals and Transfers	
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
Capital assets not being depreciated	<u>8,706,267</u>	<u>3,730,749</u>	<u>(5,305,001)</u>	<u>7,132,015</u>
Capital assets being depreciated				
Buildings	48,323,880	4,831,228	-	53,155,108
Land Improvement	2,420,054	-	-	2,420,054
Machinery and equipment	19,248,499	869,696	-	20,118,195
Capital assets being depreciated	<u>69,992,433</u>	<u>5,700,924</u>	<u>-</u>	<u>75,693,357</u>
Less accumulated depreciation				
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	<u>42,474,107</u>	<u>3,679,061</u>	<u>-</u>	<u>46,153,168</u>
Capital assets being depreciated, net	<u>27,518,326</u>	<u>2,021,863</u>	<u>-</u>	<u>29,540,189</u>
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 - Bonds Payable

A summary of the Authority's bonds payable is as follows:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
	General Obligation Bonds			
2006 Series	\$ 4,780,000	\$ -	\$ (1,570,000)	\$ 3,210,000
2008 Series	21,935,000	-	(940,000)	20,995,000
2010 Series	7,710,000	-	(535,000)	7,175,000
2014 Series	5,885,000	-	(350,000)	5,535,000
EFC Revenue Bonds				
2012 Series	8,665,000	-	(610,000)	8,055,000
2013 Series	2,795,000	-	(170,000)	2,625,000
	<u>51,770,000</u>	<u>-</u>	<u>(4,175,000)</u>	<u>47,595,000</u>
Unamortized bond premiums	(784,193)	-	68,052	(716,141)
Unamortized bond discounts	46,112	-	(8,922)	37,190
	<u>\$ 51,031,919</u>	<u>\$ -</u>	<u>\$ (4,115,870)</u>	<u>\$ 46,916,049</u>

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Notes to Financial Statements
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Note 5 - Bonds Payable - Continued

Bonds payable of the Authority are summarized as follows:

2006 General Obligation Bonds

The 2006 general obligation bonds were originally issued at \$10,080,000 principally to refinance outstanding bonds to make improvements to the Authority's sludge composting facility. Interest is payable semi-annually at interest rates ranging from 5.00% to 4.250%. Remaining principal payments range from \$585,000 to \$700,000, payable annually each December 15 through 2021.

2008 General Obligation Bonds

The 2008 general obligation bonds were originally issued at \$27,535,000 principally to acquire the Authority's Clarkstown and Haverstraw solid waste facilities. Interest is payable semi-annually at interest rates ranging from 5.375% to 6.500%. Remaining principal payments range from \$150,000 to \$4,150,000, payable annually each December 15 through 2033.

2010 General Obligation Bonds

The 2010 general obligation bonds were originally issued at \$10,150,000 principally to refinance outstanding bonds and to finance certain upgrades and repairs to the Clarkstown transfer station. Interest is payable semi-annually at interest rates ranging from 3.250% to 4.000%. Remaining principal payments range from \$250,000 to \$4,710,000, payable annually each December 15 through 2024.

2012 EFC Revenue Bonds

The New York State Environmental Facilities Corporation (EFC) State Clean Water and Drinking Water Revolving Funds Revenue Bonds were originally issued in 2012 at \$10,910,000 principally to refinance outstanding bonds. Interest is payable semi-annually at interest rates ranging from 5.019% to 6.189%. The Authority receives a subsidy credit toward its annual debt service cost from, and is charged an annual administrative fee by, the EFC. Principal installments range from \$630,000 to \$2,315,000 and are payable annually each December 15 through 2026.

2013 EFC Revenue Bonds

The EFC State Clean Water and Drinking Water Revolving Funds Revenue Bonds were originally issued in 2013 at \$3,270,434 principally to refinance a short term obligation. Interest is payable semi-annually at interest rates ranging from 1.503% to 4.083%. The Authority receives a subsidy credit toward its annual debt service cost from, and is charged an annual administrative fee by, the EFC. Principal installments range from \$175,000 to \$230,000 and are payable annually each November 1 through 2029.

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Note 5 - Bonds Payable - Continued

2014 General Obligation Bonds

The 2014 general obligation bonds were originally issued at \$6,495,000 principally to refinance outstanding bonds. Interest is payable semi-annually at an interest rate of 3.180%. Remaining principal payments range from \$360,000 to \$905,000, payable annually each December 15 through 2028.

All assets and revenues of the Authority are pledged as collateral for the bonds.

Future debt service payments required on bonds payable are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2017	\$ 4,370,000	\$ 2,050,929	\$ 6,420,929
2018	4,580,000	1,860,682	6,440,682
2019	4,795,000	1,620,237	6,415,237
2020	5,035,000	1,405,634	6,440,634
2021	5,300,000	1,182,332	6,482,332
2022 through 2026	21,295,000	1,659,073	22,954,073
2027 through 2031	2,070,000	152,438	2,222,438
2032 through 2033	150,000	19,500	169,500
	47,595,000	\$ 9,950,825	\$ 57,545,825
Less current installments	4,370,000		
Notes payable, less current installments	\$ 43,225,000		

Note 6 - New York State and Local Employees' Retirement System

Plan Description and Benefits Provided

The Authority participates in the New York State and Local Employee's Retirement System (System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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December 31, 2016 and 2015

Note 6 - New York State and Local Employees' Retirement System - Continued

Plan Description and Benefits Provided - Continued

Contributions

The System is noncontributory except for employees who joined the System after July 2, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3-6 percent of their salary for their entire length of service. Under the authority of the System, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The Authority's contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2016	\$ 322,880
2015	344,675
2014	414,580

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

At December 31, 2016 and 2015, the Authority reported a liability of \$1,077,890 and \$235,590 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of March 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2016 and 2015, the Authority's proportion was 0.0067157% and 0.0069737%, respectively.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of \$408,923 and \$227,796, respectively

At December 31, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2016		December 31, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,447	\$ 127,767	\$ 7,542	\$ -
Changes of assumptions	287,441	-		
Net difference between projected and actual investment earnings on pension plan investments	639,464	-	40,919	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	86,246	5,539	58,779	-
Employer contributions subsequent to the measurement date	242,160	-	258,506	-
Total	\$ 1,260,758	\$ 133,306	\$ 365,746	\$ -

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Note 6 - New York State and Local Employees' Retirement System - Continued

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

Deferred outflows of resources related to pensions of \$242,160 and \$258,506 resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31,		
2017	\$	227,913
2018		227,913
2019		227,913
2020		<u>201,550</u>
	<u>\$</u>	<u>885,289</u>

Actuarial Assumptions

The pension liability at March 31, 2016 and 2015, was determined by using actuarial valuations as of April 1, 2015 and 2014, respectively, with update procedures used to roll forward the total pension liability to March 31, 2016 and 2015. The actuarial valuations used the following actuarial assumptions. The assumptions are consistent year to year, except as noted:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5% (2016) and 2.7% (2015)
Salary Scale	3.8% (2016) and 4.9% (2015), indexed by service
Investment rate of return, including inflation	7.0% (2016) and 7.5% (2015) compounded annually, net of expenses
Decrement	
2016	Based on FY 2011-2015 experience
2015	Based on FY 2005-2010 experience
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016, are summarized below.

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Notes to Financial Statements
December 31, 2016 and 2015

Note 6 - New York State and Local Employees' Retirement System - Continued

Actuarial Assumptions - Continued

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	<u>100.00%</u>	

Discount Rate

The discount rate used to calculate the total pension liability as of December 31, 2016 was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability (asset) as of December 31, 2016 calculated using the discount rate of 7.0%, 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 or higher than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount (7.00%)</u>	<u>1% Increase (8.00%)</u>
Authority's proportionate share of the net pension liability (asset)	\$ 2,430,564	\$ 1,077,890	\$ (65,061)

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Notes to Financial Statements
December 31, 2016 and 2015

Note 6 - New York State and Local Employees' Retirement System - Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the Employee's Retirement System as of March 31, 2016 and 2015 were as follows (amounts in thousands):

	<u>2016</u>	<u>2015</u>
Employers' total pension liability	\$ 172,303,544	\$ 164,591,054
Plan net position	<u>(156,253,265)</u>	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 16,050,279</u>	<u>\$ 3,377,795</u>
Ratio of plan net position to the employers' total pension liability	90.7%	97.9%

Note 7 - Other Postemployment Benefit Obligations

Plan Description - 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 postemployment 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 is currently one retiree of the Authority.

Funding Policy - Currently, the Authority's cost of its postemployment benefits program is determined on a pay-as-you-go basis and is, therefore, unfunded. Premiums paid by the Authority on behalf of the current retirees totaled \$2,717 for the year ended December 31, 2016. The Authority paid no premiums on behalf of retirees for the year ended December 31, 2015.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount of premiums actually paid, and changes in the Authority's net OPEB obligation:

	<u>2016</u>	<u>2015</u>
Annual required contribution and OPEB expense cost	\$ 452,511	\$ 429,410
Net OPEB obligation, <i>beginning of year</i>	<u>4,100,438</u>	<u>3,671,028</u>
Net OPEB obligation, <i>end of year</i>	<u>\$ 4,552,949</u>	<u>\$ 4,100,438</u>

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

Notes to Financial Statements
December 31, 2016 and 2015

Note 7 - Other Postemployment Benefit Obligations - Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended December 31, 2016 and 2015, were as follows:

Fiscal Year	Annual OPEB Cost	Expected Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2016	\$ 455,477	\$ 2,966	0.65%	\$ 4,552,949
December 31, 2015	429,410	-	0.00%	4,100,438

Funded Status and Funding Progress - As of December 31, 2016, the actuarial accrued liability for benefits was \$4,552,919 and \$4,100,438 at December 31, 2016 and 2015, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,462,824 and \$2,329,172 at December 31, 2016 and 2015, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 185% and 176%, respectively.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information at the end of this note, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial computations under GASB No. 45 were provided by the Authority's independent actuaries for the years ended December 31, 2016 and 2015.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group according to the New York State Retirement System schedule, active plan members were assumed to retire as early as age fifty-five.

Marital Status - 70% of employees are assumed married. Females are assumed to be three years younger than males. Actual spouse coverage information was used for retirees where available.

Rockland County
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Notes to Financial Statements
December 31, 2016 and 2015

Note 7 - Other Postemployment Benefit Obligations - Continued

Mortality - Life expectancies were based on RP 2000 mortality tables for Males and Females.

Turnover and Retirement Incidence - The turnover rates were based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation Tables*. These tables were used as the basis for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was developed using baseline projections of the Society of Actuaries Long-Run Medical Cost Trend Model. A rate of 8.00% initially, reduced to an ultimate rate of 5.00% was used.

Health Insurance Premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - No salary increases were assumed since benefits are not based on compensation.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount rate of 4% was used. The projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016, was thirty years.

Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2014	\$ -	\$ 3,258,078	\$ 3,258,078	0%	\$ 2,233,702	146%
December 31, 2011		2,117,542	2,117,542	0%	2,223,909	95%
December 31, 2008		1,759,571	1,759,571	0%	1,376,633	128%

Note 8 - Commitments and Contingencies

a. Litigation

The Authority is involved in certain suits and claims arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Authority or the results of its operations.

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

Notes to Financial Statements
December 31, 2016 and 2015

Note 8 - Commitments and Contingencies - Continued

b. Host Community Benefit Agreements

In connection with the operation of various facilities, the Authority has entered into several long-term agreements with certain municipalities impacted by the Authority's solid waste operations. The agreements generally provide for payments to the municipalities for a period of 25 to 30 years. The payments are based on an agreed rates and annual accepted tonnage. Host community benefit expense approximated \$3,800,000 and \$3,700,000 for the years ended December 31, 2016 and 2015, respectively.

c. Lease agreement

The Authority leases property from the Town of Clarkstown for solid waste operations located within the Town. The lease expires in 2095 and requires a nominal annual payment.

Note 9 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 provides clarity on how certain component units incorporated as not for-profit corporations should be presented in the financial statements of the primary state or local government. The requirements of GASB 80 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No 82, *Pension Issues* (GASB 82). GASB 82 addresses practice issues raised during implementation of the GASB's pension accounting and financial reporting standards for state and local governments. The requirements of GASB 82 are effective for fiscal years beginning after June 15, 2016.

Management has not estimated the extent of the potential impact of these statements on the Authority's financial statements.

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

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	\$ 1,077,890	\$ 235,590
Authority's proportionate share of the net pension liability	0.0067157%	0.0069737%
Authority's covered-employee payroll	\$ 2,108,204	\$ 1,993,476
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.13%	11.82%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

Data not available prior to fiscal year 2015 implementation of GASB No 68, *Accounting and Financial Reporting for Pensions*.

**Rockland County Solid
Waste Management Authority**
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Required Supplementary Information
Schedule of Local Government Contributions

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 322,880	\$ 344,675
Contributions in relation to the contractually required contribution	\$ 322,880	\$ 344,675
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,108,204	\$ 1,993,476
Contribution as a percentage of covered-employee payroll	15.32%	17.29%

**Rockland County Solid
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Supplementary Information - Budget to Actual

	<u>Final Budget 2016</u>	<u>Actual 2016</u>	<u>Variance</u>
OPERATING REVENUES			
Solid waste disposal charges			
User fees	\$ 8,372,547	\$ 8,372,718	\$ 171
Ad valorem	13,092,784	13,099,727	6,943
Recycling facility materials	1,500,000	2,663,248	1,163,248
Co-compost facility user charges	391,500	315,933	(75,567)
Solid waster collection and disposal charges			
Town of Stony Point	255,978	255,978	-
Village of Spring Valley	1,464,000	1,118,121	(345,879)
Village of Haverstraw	780,003	672,623	(107,380)
Village of Sloatsburg	372,007	372,007	-
Village of New Hempstead	504,449	504,449	-
Rockland County	300,000	331,501	31,501
Transfer station tipping fees/sales	23,999,700	24,277,544	277,844
Other unclassified	75,775	92,993	17,218
Total operating revenues	<u>51,108,743</u>	<u>52,076,842</u>	<u>968,099</u>
NON-OPERATING REVENUES			
Interest			
Bank	35,000	67,458	32,458
Restricted funds	100,000	117,361	17,361
Interest subsidy	227,440	323,857	96,417
Environmental protection facility grants	450,000	586,938	136,938
Insurance recoveries	-	15,062	15,062
Total non-operating revenues	<u>812,440</u>	<u>1,110,676</u>	<u>298,236</u>
Total revenues	<u>\$ 51,921,183</u>	<u>\$ 53,187,518</u>	<u>\$ 1,266,335</u>
OPERATING EXPENSES			
Personal services			
Salaries	\$ 2,412,342	\$ 2,462,824	\$ (50,482)
Fringe benefits			
Health and dental	581,073	539,621	41,452
Retirement	306,000	408,923	(102,923)
Social security	184,550	167,970	16,580
Worker's compensation benefits	99,300	98,857	443
Metropolitan commuter transportation mobility tax	7,310	7,238	72
Employee testing	-	847	(847)
Total fringe benefits	<u>1,178,233</u>	<u>1,223,456</u>	<u>(45,223)</u>
Contractual services			
Supplies expense			
Books and publications	2,500	470	2,030
Equipment	36,000	24,935	11,065
Motor fuel	15,000	4,617	10,383
Office supplies and printing	50,000	66,093	(16,093)
Operational supplies (leaf bags, recycling bins, etc.)	412,000	316,368	95,632
Uniforms	2,000	7,762	(5,762)
Total contractual services	<u>517,500</u>	<u>420,245</u>	<u>97,255</u>

**Rockland County Solid
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Supplementary Information - Budget to Actual

	<u>Final Budget 2016</u>	<u>Actual 2016</u>	<u>Variance</u>
Other operating expenses			
Advertising	75,000	38,187	36,813
Association dues	2,000	2,364	(364)
Bid advertising	2,000	2,308	(308)
Certiorari payments	50,000	40,169	9,831
Cleaning contractor	15,000	25,213	(10,213)
Community partnerships	50,000	36,205	13,795
Conferences and schools	10,000	7,461	2,539
Data procession equipment	30,000	25,486	4,514
Engineering and other professional fees	492,260	609,297	
Equipment repair	62,500	164,016	(101,516)
Fees for services - co-composting by-pass	-	-	-
Fees for services- non employees	733,360	946,826	(213,466)
Household hazardous waste	1,097,427	1,089,191	8,236
Legal fees	1,575,000	1,816,676	(241,676)
Maintenance agreements	33,500	40,511	(7,011)
Meals	-	1,504	(1,504)
Office furniture and fixtures	2,000	-	2,000
Painting and building repair	60,000	77,789	(17,789)
Postage	20,500	21,369	(869)
Rental of equipment	14,400	12,812	1,588
Repairs to vehicle	5,000	2,835	2,165
Telephone	73,000	59,314	13,686
Travel	10,000	10,003	(3)
Utilities	648,050	530,708	117,342
Water and sewer	66,500	71,643	(5,143)
	<u>5,127,497</u>	<u>5,631,887</u>	<u>(387,353)</u>
Revenue generating operating expenses			
Co-composting operating and maintenance fee	2,024,196	1,924,461	99,735
Host community fee	3,863,970	3,793,954	70,016
MRF operating and maintenance fee	1,806,352	1,684,821	121,531
Recycling rebates	840,000	897,612	(57,612)
Solid waste collection and disposal:			
Town of Stony Point	255,978	256,122	(144)
Village of Spring Valley	1,464,002	1,477,364	(13,362)
Village of Haverstraw	780,002	837,903	(57,901)
Village of Slootsburg	372,007	367,145	4,862
Village of New Hempstead	489,753	485,968	3,785
Rockland County	300,000	321,583	(21,583)
Transfer station rebates	130,000	150,846	(20,846)
Transfer station fees	22,218,662	19,971,881	2,246,781
Yard waste composting fee	987,825	943,599	44,226
	<u>35,532,747</u>	<u>33,113,259</u>	<u>2,419,488</u>
Other costs			
Tax related costs	18,000	16,926	1,074
Insurance premiums	190,000	206,793	(16,793)
Miscellaneous	15,000	7,866	7,134
	<u>223,000</u>	<u>231,585</u>	<u>(8,585)</u>
Total contractual services	<u>\$ 41,400,744</u>	<u>\$ 39,396,976</u>	<u>\$ 2,120,805</u>
DEBT SERVICE			
Principal	\$ 4,175,000	\$ 4,175,000	\$ -
Interest	2,530,364	2,603,652	(73,288)
Total debt service	<u>\$ 6,705,364</u>	<u>\$ 6,778,652</u>	<u>\$ (73,288)</u>

See Independent Auditor's Report.

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

Supplementary Information - Budget to Actual

	<u>Final Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>
OPERATING REVENUES			
Solid waste disposal charges			
User fees	\$ 8,760,827	\$ 8,761,281	\$ 454
Ad valorem	12,641,934	12,653,670	11,736
Recycling facility materials	1,512,000	2,284,820	772,820
Co-compost facility user charges	360,000	70,602	(289,398)
Solid waste collection and disposal charges			
Town of Stony Point	256,276	256,276	-
Village of Spring Valley	766,410	768,442	2,032
Village of Haverstraw	579,985	568,028	(11,957)
Village of Sloatsburg	325,022	325,022	-
Village of New Hempstead	444,120	444,461	341
Rockland County	300,000	313,250	13,250
Transfer station tipping fees/sales	21,390,457	24,459,376	3,068,919
Other unclassified	72,000	81,829	9,829
Total operating revenues	<u>47,409,031</u>	<u>50,987,057</u>	<u>3,578,026</u>
NON-OPERATING REVENUES			
Interest			
Bank	35,000	45,031	(10,031)
Restricted funds	100,000	98,462	1,538
Interest subsidy	243,241	287,260	(44,019)
Environmental protection facility grants	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	<u>803,241</u>	<u>2,257,287</u>	<u>(1,454,046)</u>
Total revenues	<u>\$ 48,212,272</u>	<u>\$ 53,244,344</u>	<u>\$ 2,123,980</u>
OPERATING EXPENSES			
Personal services			
Salaries	<u>\$ 2,251,354</u>	<u>\$ 2,329,172</u>	<u>\$ (77,818)</u>
Fringe benefits			
Health and dental	525,000	542,505	(17,505)
Retirement	375,000	227,796	147,204
Social security	172,228	158,568	13,660
Worker's compensation benefits	88,900	82,555	6,345
Metropolitan commuter transportation mobility tax	7,650	6,841	809
Total fringe benefits	<u>1,168,778</u>	<u>1,018,265</u>	<u>150,513</u>
Contractual services			
Supplies expense			
Books and publications	6,000	471	5,529
Equipment	37,000	-	37,000
Motor fuel	8,000	7,403	597
Office supplies and printing	45,000	57,531	(12,531)
Operational supplies (leaf bags, recycling bins, etc.)	402,000	429,007	(27,007)
Uniforms	2,000	-	2,000
	<u>500,000</u>	<u>494,412</u>	<u>5,588</u>

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

Supplementary Information - Budget to Actual

	<u>Budget 2015</u>	<u>Actual 2015</u>	<u>Variance</u>
Other operating expenses			
Advertising	55,000	51,594	3,406
Association dues	2,000	2,081	(81)
Bid advertising	2,000	3,490	(1,490)
Certiorari payments	275,000	42,372	232,628
Cleaning contractor	15,000	19,208	(4,208)
Community partnerships	25,000	28,832	(3,832)
Conferences and schools	10,000	10,923	(923)
Data procession equipment	30,000	6,679	23,321
Engineering and other professional fees	428,800	603,749	
Equipment repair	135,000	94,800	40,200
Fees for services - co-composting by-pass	833,241	833,241	-
Fees for services- non employees	754,100	832,621	(78,521)
Household hazardous waste	895,640	947,459	(51,819)
Legal fees	1,522,500	1,679,783	(157,283)
Maintenance agreements	33,500	19,421	14,079
Meals	-	1,469	(1,469)
Office furniture and fixtures	2,000	136	1,864
Painting and building repair	60,000	57,756	2,244
Postage	22,500	4,752	17,748
Rental of equipment	10,000	11,728	(1,728)
Repairs to vehicle	5,000	1,898	3,102
Telephone	71,300	69,092	2,208
Travel	10,000	14,235	(4,235)
Utilities	574,000	414,184	159,816
Water and sewer	71,500	53,740	17,760
	<u>5,843,081</u>	<u>5,805,243</u>	<u>212,787</u>
Revenue generating operating expenses			
MRF operating and maintenance fee	1,730,100	1,621,185	108,915
Co-composting operating and maintenance fee	1,504,447	1,369,570	134,877
Yard waste composting fee	1,166,331	893,918	272,413
Host community fee	3,470,420	3,732,946	(262,526)
Solid waste collection and disposal			
Town of Stony Point	256,276	255,987	289
Village of Spring Valley	744,099	1,028,047	(283,948)
Village of Haverstraw	551,476	646,686	(95,210)
Village of Sloatsburg	315,552	347,097	(31,545)
Village of New Hempstead	300,000	432,531	(132,531)
Rockland County	431,185	303,685	127,500
Recycling rebates	814,000	823,375	(9,375)
Transfer station rebates	125,000	104,328	20,672
Transfer station fees	20,079,536	20,343,732	(264,196)
	<u>31,488,422</u>	<u>31,903,087</u>	<u>(414,665)</u>
Other costs			
Tax related costs	18,000	16,504	1,496
Insurance premiums	190,000	200,943	(10,943)
Miscellaneous	55,200	79,573	(24,373)
	<u>263,200</u>	<u>297,020</u>	<u>(33,820)</u>
Total contractual services	<u>\$ 38,094,703</u>	<u>\$ 38,499,762</u>	<u>\$ (230,110)</u>
DEBT SERVICE			
Principal	3,985,434	3,985,434	-
Interest	2,712,503	2,763,895	(51,392)
Total debt service	<u>\$ 6,697,937</u>	<u>\$ 6,749,329</u>	<u>\$ (51,392)</u>

See Independent Auditor's Report.



**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**

Board of Directors
Rockland County Solid Waste
Management Authority
Hillburn, New York

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 the Rockland County Solid Waste Management Authority (Authority), which comprise the statement of net position as of December 31, 2016, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2017.

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 opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control that is described below that we consider to be a material weakness.

Finding 2016 - 01 - Reconciliations and Review

Finding: In the performance of our audit, we noted that a certain reconciliation, which is prepared on a monthly basis, was not prepared correctly and contained a material reconciling item that was not identified in the reconciliation process. Further, the reconciling item was not noted in the supervisory review of the reconciliation. As a result, a material audit adjustment was proposed (and the Authority was required to perform further work to identify the source of the reconciling item).

Recommendation: Although this reconciling item was identified and preliminarily resolved subsequent to year end, the Authority should ensure that individuals preparing monthly reconciliations are properly trained to ensure proper understanding the control objectives of the reconciliation process. In addition, the Authority should ensure that reviews of reconciliations are performed in accordance with the control objectives as established.

Authority's Response to Finding: The Authority believes their control processes are adequate. However, the Authority will discuss audit findings with appropriate personnel to ensure those individuals tasked with preparation and review of reconciliations understand control objectives of the reconciliation process.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Authority's Response to Findings

The Authority's response to the finding identifies in our audit is describe above. The 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 result 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.

BST & CO. CPAs, LLP

Albany, New York
March 17, 2017

