EASTERN RENSSELAER COUNTY SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS
(and Reports of Independent Auditors)
December 31, 2013 and 2012

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Rensselaer County Solid Waste Management Authority (The "Authority"), as of and for the years ended December 31, 2013 and December 31, 2012, and the related notes to the financial statements, which collectively comprise Eastern Rensselaer County Solid Waste Management Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 respective financial position of Eastern Rensselaer County Solid Waste Management Authority, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Eastern Rensselaer County Solid Waste Management Authority's basic financial statements. The Statement of Revenues and Expenses – Budget and Actual is presented on page 19 for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information 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 Statement of Revenues and Expenses – Budget and Actual is fairly stated, in all material respects, in relation to the basic 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 25, 2014 on our consideration of Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting and compliance.

Pattison, Koskey, Howe & Bucci, CPAs P.C.

Valatie, New York
March 25, 2014

1. Financial Highlights

The Authority generated a gain of $90,942 in 2013 compared to a loss of $14,724 in 2012. Overall, cash and cash equivalents increased $31,755 in 2013 and total net position is $165,032 at December 31, 2013 compared to $74,090 at December 31, 2012.

Tipping fees and recycling revenues were $569,081 in 2013, a 1.34% decrease from the previous year despite an increase in the waste management rate from $75.27 to $76.94, from 2012 to 2013, respectively. Tipping fees and recycling revenues comprised approximately 69% and 82% of total revenues in 2013 and 2012, respectively. During 2013, the Authority collected $25,000 and recorded a pledge of $25,000 from a contribution increasing revenue by $50,000.

Total operating expenses were $737,271 in 2013, a 3% increase from the previous year. During 2013, the Authority made a contribution of $25,000 to the Eastern Rensselaer Community Warehouse that did not occur in 2012, increasing expenses in 2013. Tipping and recycling expenses were $569,320 during the year ended December 31, 2013, a 1.54% decrease from the previous year.

Current assets exceeded current liabilities by $136,460 and $66,746 at December 31, 2013 and 2012, respectively.

2. Basic Financial Statements

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

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

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

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

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

3. Financial Statement Analysis

Statements of Net Position

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

Assets	2013	2012
Current assets	$ 254,246	$ 167,004
Non-current assets	28,572	7,344
Total assets	$ 282,818	$ 174,348
Liabilities		
Current liabilities	$ 117,786	$ 100,258
Total liabilities	$ 117,786	$ 100,258
Net position	$ 165,032	$ 74,090

Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position shows the effect of income and expenses on ERCSWMA's net position for the year. This statement is prepared on an accrual basis meaning revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they occur. ERCSWMA's statements for the years ended December 31, 2013 and 2012 are summarized on the following page.

3. Financial Statement Analysis (Continued):

	2013	2012
Operating revenues		
Administrative fees	$ 116,120	$ 105,294
Tipping and recycling fees	569,081	576,812
Hazardous waste revenue	890	1,741
Grant income	85,784	12,589
Contribution revenue	50,000	-
Miscellaneous income	6,087	6,000
Total operating revenue	827,962	702,436
Operating expenses		
Salaries and payroll taxes	72,270	93,788
Tipping and recycling expenses	569,320	578,258
Hazardous waste expense	11,820	10,768
Education and public relations	3,968	2,873
Rental and maintenance of equipment	14,164	-
Contribution expense- ERCCW	25,000	-
Other	40,729	31,601
Total operating expenses	737,271	717,288
Operating income (loss)	90,691	(14,852)
Non-operating revenue		
Interest income	251	128
Total non-operating income	251	128
Increase (decrease) in net position	90,942	(14,724)
Net position, beginning of year	74,090	88,814
Net position, end of year	$ 165,032	$ 74,090

Accounting for 69% of the operating revenues in 2013 were tipping and recycling fees, which decreased 1.34% and totaled $569,081.

During the years ended December 31, 2013 and 2012, the Authority was awarded grant money from New York State of $85,784 and $12,589, respectively. In addition, the Authority received a $50,000 contribution during the year ended December 31, 2013, $25,000 of which was recorded as a non-current pledge receivable at December 31, 2013. This funding significantly impacted the 2013 operating results.

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

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

Operating expenses of $737,271 increased by $19,983 in 2013 due mainly to decreased costs associated with tipping and recycling costs and payroll salaries and taxes offset by an increase in contribution expense. Tipping and recycling costs decreased $8,938 and payroll expenses decreased $21,518. Offsetting these decreases were hazardous waste expense which increased $1,052, education and public relations which increased $1,095, equipment repair and rental expense which increased $14,164, and contribution expense which increased by $25,000.

Non-operating revenue is derived from interest income on short-term investments, which increased $123. ERCSWMA maintained two certificates of deposit with a total balance of $11,303 and $11,291 at December 31, 2013 and 2012, respectively. The certificates of deposit had varying maturities (11 months and 8 months) and interest rates of (.15% and .10%) at December 31, 2013. The certificates of deposit had varying maturities (11 months and 8 months) and interest rates (.10% and .10%) at December 31, 2012.

Statement of Cash Flows

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

Net cash provided by operating activities of $31,516 increased $62,505 from the prior year's net cash used of $30,989.

4. **Authority Budget:**

In November 2012, ERCSWMA adopted a 2013 budget projecting revenues, exclusive of tipping and recycling fees, at $116,220. Actual 2013 revenues, exclusive of tipping and recycling fees, totaled $259,132. Much of this increase was due to the receipt of an education grant of $78,084, a curbside recycling bin grant of $7,700, and a pledge of $50,000. Revenue earned from tipping and recycling fees are directly offset by associated expenses and are not included in the budget calculations.

Operating expenses, exclusive of tipping and recycling expenses, totaled $167,951 for the year. Budgeted expenditures for 2013 were $115,120. A large part of the increase in actual expenditures of $52,831 was due to unexpected repairs to the Authority's roll-off containers for $14,164 and a contribution of $25,000 to Eastern Rensselaer County Community Warehouse, Inc. Also, insurance exceeded the budget by $6,992 due to an increase in unemployment insurance and an increase in health insurance premiums.

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

ERCSWMA did not take on any long-term debt in 2013 or 2012. There were no capital asset additions in 2013 and 2012.

6. **Additional Information:**

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

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
STATEMENTS OF NET POSITION
December 31, 2013 and 2012

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	$ 55,390	$ 23,635
Accounts receivable - member towns	106,746	115,963
Grant receivable	78,085	12,589
Prepaid expenses	2,722	3,526
Certificates of deposit	11,303	11,291
Total current assets	254,246	167,004
Non-current assets:		
Property and equipment, net of $166,807 and $163,035 of accumulated depreciation	3,572	7,344
Pledge receivable	25,000	-
Total non-current assets	28,572	7,344
Total assets	$ 282,818	$ 174,348

LIABILITIES AND NET POSITION

Current liabilities:		
Accrued expenses	$ 1,932	$ 2,093
Accounts payable	47,242	87,073
Due to members - credits	68,612	11,092
Total current liabilities	117,786	100,258
Net position:		
Invested in capital assets	3,572	7,344
Unrestricted	161,460	66,746
Total net position	165,032	74,090
Total liabilities and net position	$ 282,818	$ 174,348

See independent auditors' report and notes to financial statements.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2013 and 2012

	2013	2012
Operating Revenues:		
Administrative fees	$ 116,120	$ 105,294
Tipping and recycling fees	569,081	576,812
Hazardous waste revenue	890	1,741
Grant income	85,784	12,589
Contribution revenue	50,000	-
Miscellaneous income	6,087	6,000
Total operating revenues	827,962	702,436
Operating Expenses:		
Salaries	67,135	87,123
Payroll taxes	5,135	6,665
Tipping and recycling expenses	569,320	578,258
Hazardous waste expense	11,820	10,768
Professional fees	7,833	7,733
Payroll service	1,087	988
Education and public relations	3,968	2,873
Rent	9,000	6,375
Office supplies	495	553
Postage	403	146
Conferences and travel	934	913
Insurance	15,917	8,149
Equipment rental and repair	14,164	-
Telephone	669	964
Advertising	-	32
Dues and memberships	264	343
Miscellaneous	-	2,022
Contribution expense- ERC Warehouse	25,000	-
Depreciation	3,772	3,383
Bad debt expense	355	-
Total operating expenses	737,271	717,288
Operating income (loss)	90,691	(14,852)
Non-operating revenue		
Interest income	251	128
Change in net position	90,942	(14,724)
Net position, beginning	74,090	88,814
Net position, ending	$ 165,032	$ 74,090

See independent auditors' report and notes to financial statements.

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Receipts from customers	$ 758,915	$ 717,330
Receipt of grants and contributions	45,288	-
Payments to suppliers	(700,256)	(654,745)
Payments to employees	(72,431)	(93,574)
Net cash provided by (used for) operating activities	31,516	(30,989)
Cash flows from investing activities		
Interest received	251	128
(Increase) decrease in certificates of deposit	(12)	17,298
Net cash provided by investing activities	239	17,426
Net increase (decrease) in cash	31,755	(13,563)
Cash and cash equivalents, beginning of year	23,635	37,198
Cash and cash equivalents, end of year	$ 55,390	$ 23,635
Cash flows from operating activities		
Operating income (loss)	$ 90,691	$ (14,852)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	3,772	3,383
Change in assets and liabilities:		
Decrease in accounts receivable	9,217	45,667
Increase in grants receivable	(65,496)	(12,589)
Increase in pledge receivable	(25,000)	-
Decrease (increase) in prepaid expenses	804	(486)
Decrease in accounts payable	(39,831)	(34,142)
Increase (decrease) in due to members - credits	57,520	(18,184)
(Decrease) increase in accrued expenses	(161)	214
Net cash provided by (used for) operating activities	$ 31,516	$ (30,989)

See independent auditors' report and notes to financial statements.

1. Nature of Organization:

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

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

2. Summary of Significant Accounting Principles:

Basis of accounting:

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

Revenues:

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

Grant revenue is recognized in the accounting period when the Authority is notified of the award in writing from the entity awarding the funds, and the underlying expenses and/or activities have taken place to earn such funds. Generally, there is a lag in the period in which the Authority provides the services and the period such funds are officially awarded. For example, during the year ended December 31, 2013, the Authority recognized $78,084 in revenue for grant applications submitted for reimbursement for education programs during the years of 2009 to 2011.

Contribution revenue is recognized in the period it is measurable and future installments are considered probable of collection. Contribution revenue that is restricted as a result of a purpose or time restriction is included as a component of "restricted net position," when applicable. As of December 31, 2013 and 2012, contribution revenue was not restricted and is included as a component of unrestricted net position. When material, future pledge commitments are discounted to present value and any future increases in the receivable due to amortization of the discount are reflected in contribution income.

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

2. Summary of Significant Accounting Principles (Continued):

Cash and cash equivalents:

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

Use of estimates:

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

Concentrations of credit and market risk:

Financial instruments that potentially expose the Authority to concentrations of credit and market risk consist primarily of cash equivalents and certificates of deposit. Cash equivalents are maintained at FDIC insured financial institutions and credit exposure is limited to two institutions. As of December 31, 2013 and 2012, all cash and cash equivalents were covered by FDIC insurance. The Authority has not experienced any losses with respect to its cash and cash equivalents.

Investments are exposed to various risks, such as interest rate, market, and credit. As of December 31, 2013 and 2012, all investments were in certificates of deposit with maturities ranging from 8 to 11 months. All certificates of deposit were covered by FDIC insurance as of December 31, 2013 and 2012.

Income taxes:

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

Property and equipment:

Recycling and office equipment and website development costs valued at $500 or more are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 7 years for equipment and 5 years for website development costs. Depreciation expense for 2013 and 2012 totaled $3,772 and $3,383, respectively.

Fair value measurements:

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

2. Summary of Significant Accounting Principles (continued):

Deferred outflows/inflows of resources:

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time. GASB Statement No. 65 was effective for the first time in 2013.

Statement 63 changes how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

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

The Authority's implementation of GASB Statement No. 65 had no material impact of the Authority's 2013 financial statements.

Budgets:

The budget policies are as follows:

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

Subsequent events:

Subsequent events have been evaluated through March 25, 2014, which is the date the financial statements were available to be issued.

3. Accounts and Grants Receivable:

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

Grants receivable were $78,085 and $12,589 at December 31, 2013 and 2012, respectively.

4. Pledge Receivable:

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

5. Certificates of Deposit:

Investments consist of two certificates of deposit with a total balance at December 31, 2013 and 2012, of $11,303 and $11,291, respectively. The certificates of deposit have varying maturities (8 months and 11 months) and earn interest at .10% at December 31, 2012 and .10% and .15% at December 31, 2013. Two certificates of deposit outstanding in 2012 were extended for similar terms in 2013. The certificates of deposit are maintained at a financial institution in Hoosick Falls and are fully insured by the FDIC.

6. Property and Equipment:

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

	2013	2012
Recycling Equipment	$ 148,600	$ 148,600
Accumulated Depreciation	(145,305)	(142,630)
	$ 3,295	$ 5,970
Office Equipment	$ 21,164	$ 21,164
Accumulated Depreciation	(21,164)	(20,313)
	$ -	$ 851
Website Development	$ 615	$ 615
Accumulated Depreciation	(338)	(92)
	$ 277	$ 523

7. Related Party Transactions:

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

The Authority leases office space on a month to month basis from Eastern Rensselaer County Community Warehouse, Inc. (ERCCW) under an operating lease agreement. The rental amount was $750 per month in 2013 and $700 in 2012. The rent expense was $9,000 and $3,500 for 2013 and 2012, respectively. In addition, in 2012, the Authority rented storage space on a month to month basis from ERCCW. Rental expense for the storage space was $2,875 for the year ended December 31, 2012. During 2012, there were seven months in which the Authority was not charged rent by ERCCW for either space while the warehouse moved to a new location.

During the year ended December 31, 2012, the space the Authority rents from ERCCW was sold and ERCCW relocated to a space in Melrose, NY. The Authority relocated to the new building purchased by ERCCW and continued to rent office space from ERCCW in the new building.

7. Related Party Transactions (continued):

During the year ended December 31, 2013, the Authority authorized a loan of $4,000 to the ERCCW to be paid back in 30 days at a 3% interest rate. The loan was paid back in full and the Authority earned $120 in interest during the 30 day period.

The $25,000 received from the pledge in 2013 was donated to the ERCCW as a contribution to the Organization.

8. Commitments:

The Authority is party to a twenty-year service agreement with a company that is contracted to take "acceptable waste" generated within the member communities of the Authority. The Agreement commenced February 20, 1995 and expired November 19, 2012. The agreement was extended for an additional two one-year terms commencing January 1, 2013. The fees charged vary for solid waste and construction and demolition waste. The maximum fees per ton of waste that may be charged under the contract for 1996 and after are $75.95 multiplied by an inflation factor per ton for solid waste and $74.00 multiplied by an inflation factor for construction and demolition waste. For the year ended December 31, 2013 and 2012, the Authority paid a rate of $76.94 and $75.27 per ton for both solid waste and construction and demolition waste. The agreement was amended on July 8, 2013 extending the term of the service agreement for 25 years. Effective February 20, 2015 the fee per ton for solid waste and construction and demolition waste will be $69.50 in 2015 and multiplied by an inflation factor per ton each year, thereafter. The Authority paid a total of $508,211 and $507,158 to the company for the years ended December 31, 2013 and 2012, respectively.

The Authority is party to a five-year agreement with a company that is contracted to haul waste for member community transfer stations. The five-year contract expired at the end of 2009 and the Authority renewed the contract for another three years. The contract requires annual payments based on "per pull" basis at a rate of $170.66. This rate was held constant in 2010 with Consumer Price Index adjustments for the following two years. The total paid for these services was $53,103 and $58,224 for the years ended December 31, 2013 and 2012, respectively. The contract expired on December 31, 2012 and a new agreement was not signed. During 2013, the Authority made payments based on a "per pull" basis at a rate of $176.51.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eastern Rensselaer County Solid Waste Management Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Eastern Rensselaer County Solid Waste Management Authority's basic financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Rensselaer County Solid Waste Management Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastern Rensselaer County Solid Waste Management Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Rensselaer County Solid Waste Management Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness (2013-1).

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Eastern Rensselaer County Solid Waste Management Authority in a separate letter dated March 25, 2014.

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

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

Purpose of this Report

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

Pattison, KosKey, Howe & Bucci, CPAs, P.C.

Valatie, New York
March 25, 2014

Finding 2013-1

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

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

Condition:
During the audit, several adjustments were required to convert the Authority's general ledger to the accrual basis of accounting. For example, an adjustment was required to record a receivable of $78,084 for a grant awarded by New York State during the year. In addition, the Authority received a pledge contribution of $50,000 which required an adjustment as a result of our audit.

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

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

Recommendation:
Management should work with the auditors to develop procedures for adjusting the Authority's general ledger to the accrual basis of accounting beginning with the year ending December 31, 2014.

Responsible Official's Response:
Management commits to make an effort to improve the procedures over adjusting the general ledger to the accrual basis of accounting in the upcoming year.

SUPPLEMENTARY INFORMATION

EASTERN RENSSELAER COUNTY SOLID
WASTE MANAGEMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative fees	$ 116,120	$ 116,120	$ -
Hazardous waste revenue	-	890	890
Grant income	-	85,784	85,784
Contribution revenue	-	50,000	50,000
Interest income	100	251	151
Miscellaneous income	-	6,087	6,087
Tipping and recycling fees	-	569,081	569,081
Total revenues	116,220	828,213	711,993
Expenses:			
Salaries	59,824	67,135	(7,311)
Payroll taxes	7,550	5,135	2,415
Tipping and recycling expenses	-	569,320	(569,320)
Hazardous waste collection	9,000	11,820	(2,820)
Professional fees	7,800	7,833	(33)
Payroll service	950	1,087	(137)
Education and public relations	-	3,968	(3,968)
Rent	9,000	9,000	-
Office supplies	250	495	(245)
Postage	450	403	47
Conferences and travel	-	934	(934)
Insurance	8,925	15,917	(6,992)
Equipment rental and repair	-	14,164	(14,164)
Telephone	250	669	(419)
Advertising	9,715	-	9,715
Dues and memberships	200	264	(64)
Miscellaneous	1,206	-	1,206
Contribution expense- ERCCW	-	25,000	(25,000)
Depreciation	-	3,772	(3,772)
Bad debt expense	-	355	(355)
Total expenses	115,120	737,271	(622,151)
Total revenue in excess of expenses	$ 1,100	$ 90,942	$ 89,842

See independent auditors' report and notes to financial statements.