ROCKLAND COUNTY SOLID WASTE MANAGEMENT AUTHORITY
(A COMPONENT UNIT OF THE
COUNTY OF ROCKLAND, NEW YORK)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1999 and 1998

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Members of the Rockland County
Solid Waste Management Authority:

We have audited the accompanying balance sheets of the Rockland County Solid Waste Management Authority (a component unit of the County of Rockland, New York) as of December 31, 1999 and 1998 and the related statements of revenues, expenses and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockland County Solid Waste Management Authority (a component unit of the County of Rockland, New York) as of December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

February 11, 2000

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

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

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

A. Financial Reporting Entity

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

B. Basis of Presentation

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment is determined by an entity's measurement focus. Enterprise funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current) associated with the operation of the entity are included on the balance sheet. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net total assets. Their reported fund equity (net total assets) may be segregated into contributed capital and retained earnings.

The accrual basis of accounting is followed by the Authority. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity

Cash and Equivalents

Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

Receivables

Receivables consist primarily of amounts due from other governments. Receivables are recorded as earned or as specific program expenditures are incurred.

Restricted Cash and Equivalents

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

Property and Equipment

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

Buildings	20 years
Major equipment	20 years
Office and other equipment	5 years
Data processing equipment	5 years
Motor vehicles	5 years
Museum display	5 years

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

Land and Construction-in-Progress

Land and construction-in-progress are stated at cost. Interest paid on applicable debt, net of interest earned on available funds, is capitalized during the period of construction. Depreciation is not computed on construction-in-progress. When the related project is completed, depreciation will be provided for in amounts sufficient to relate the cost of the depreciable assets to operations over its estimated service life.

Bonds Payable

The Authority records bonds payable at face value net of unamortized original issue discount.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Vested or accumulated vacation or sick leave is recorded as an expense and liability of the Authority as the benefit accrues to employees.

Equity

Equity represents State grants to the Authority and the equity generated from the operation of the entity.

E. Reclassifications

Certain reclassifications of prior year financial data have been made to conform with the current year presentation.

F. 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Equivalents

Unrestricted

The carrying amount of the Authority's unrestricted deposits at December 31, 1999 was $3,338,192, net of petty cash of $200 and the bank balance was $3,456,035. Of the bank balance, $200,053 was covered by federal deposit insurance and $3,255,982 was covered by collateral held by the Authority's agent, a third party financial institution, in the entity's name.

The carrying amount of the Authority's unrestricted deposits at December 31, 1998 was $2,471,776 net of petty cash of $200 and the bank balance was $3,145,354. Of the bank balance, $200,000 was covered by federal deposit insurance and $2,945,354 was covered by collateral held by the Authority's agent, a third party financial institution, in the entity's name.

Restricted

The carrying amounts of the Authority's restricted deposits at December 31, 1999 and 1998 were $10,646,742 and $17,458,114. These amounts are held in trust by a State agency on behalf of the Authority. These amounts are not subject to collateralization requirements.

Note 3 - Property and Equipment

Major classifications of fixed assets at December 31, 1999 and 1998 are as follows:

	1999	1998
Buildings	$ 27,667,376	$ 6,840,465
Major equipment	5,515,458	3,994,458
Other equipment	2,377,169	-
Motor vehicles	32,895	-
Office equipment	29,546	24,968
Data processing equipment	54,772	15,487
Museum display	31,500	-
	35,708,716	10,875,378
Less: Accumulated depreciation	(1,631,997)	(274,919)
	$ 34,076,719	$ 10,600,459

Note 4 - Capitalized Interest

Interest incurred on long-term debt during construction has been capitalized. Capitalized interest was $61,173 and $996,501 for the years ended December 31, 1999 and 1998, respectively.

Note 5 – Deferred Bond Fees

The Authority incurred fees in relation to the issuance of general obligation bonds (Note 8). These amounts have been capitalized and are being amortized over the life of the bonds. Amortization expense for each of the years ended December 31, 1999 and 1998 totaled $25,995 and $25,009, respectively.

Note 6 – Due to Primary Government

The final installment of $440,000 of the $1,865,000 loan payable to the County of Rockland was paid in November 1999.

Note 7 - Bond Anticipation Note Payable

A bond anticipation note in the amount of $5,700,000, for the purchase and expansion of a transfer station and scale house, originally issued on September 18, 1998, and due on September 15, 1999, with interest at 3.63%, was outstanding at December 31, 1998. The note was paid in full on September 15, 1999.

Note 8 - Bonds Payable

Bonds Payable at December 31 consisted of the following issues:

	1999	1998
$22,936,600 - 1996 serial bonds, repaid partially during 1999 with State grant and other funds; due in annual principal installments of $785,000 in 2000, $800,000 in 2001, $815,000 in 2002, $835,000 in 2003, $850,000 in 2004, $870,000 in 2005, $890,000 in 2006, $915,000 in 2007, $935,000 in 2008, $965,000 in 2009, $990,000 in 2010, $1,015,000 in 2011, $1,045,000 in 2012, $1,075,000 in 2013, $1,105,000 in 2014, $1,140,000 in 2015 and $3,170,000 in 2016; interest at stated rates between 3.35% and 5.2%, depending upon maturity	$ 18,200,000	$ 21,305,000
$11,620,000 - 1996 serial bonds net of unamortized discount of $152,660 and $177,668 in 1999 and 1998, respectively, repaid partially during 1999 with State grant and other funds; due in annual principal installments of $345,000 in 2000, $365,000 in 2001, $380,000 in 2002, $395,000 in 2003, $410,000 in 2004, $430,000 in 2005, $455,000 in 2006, $480,000 in 2007, $505,000 in 2008, $530,000 in 2009, $560,000 in 2010, $590,000 in 2011, $630,000 in 2012, $670,000 in 2013, $700,000 in 2014, $965,000 in 2015 and $1,015,000 in 2016; interest at stated rates between 4.6% and 5.625%, depending upon maturity	9,272,340	11,442,332
$4,000,000 - 1999 serial bonds net of unamortized discount of $36,527, due in annual principal installments of $135,000 in 2000, $140,000 in 2001, $145,000 in 2002, $150,000 in 2003, $155,000 in 2004, $165,000 in 2005, $170,000 in 2006, $180,000 in 2007, $190,000 in 2008, $200,000 in 2009, $210,000 in 2010, $220,000 in 2011, $235,000 in 2012, $245,000 in 2013, $260,000 in 2014, $275,000 in 2015, $290,000 in 2016, $310,000 in 2017 and $325,000 in 2018; interest at stated rates between 4.25% and 5.75%, depending on maturity	3,963,473	-
	31,435,813	32,747,332
Less: Current maturities	(1,265,000)	(860,000)
	$ 30,170,813	$ 31,887,332

Note 8 – Bonds Payable (Continued)

At the option of the Authority, the serial bonds included in the $22,936,600 issue will be subject to redemption prior to maturity on or after June 15, 2006. These bonds may be redeemed either as a whole at any time or in part on any interest payment date on or after June 15, 2006 at the following redemption prices plus accrued interest, if any, to the date of redemption.

Redemption Period (Dates Inclusive)	Redemption Price (as a % of Par)
June 15, 2006 to June 14, 2007	102%
June 15, 2007 to June 14, 2008	101%
June 15, 2008 and thereafter	100%

At the option of the Authority, the serial bonds included in the $11,620,000 issue will be subject to redemption prior to maturity on or after December 15, 2006. These bonds may be redeemed either as a whole or in part at any time at the following redemption prices plus accrued interest, if any, to the date of redemption.

Redemption Period (Dates Inclusive)	Redemption Price (as a % of Par)
December 15, 2006 to December 14, 2007	102%
December 15, 2007 to December 14, 2008	101%
December 15, 2008 through 2018	100%

At the option of the Authority, the serial bonds included in the $4,000,000 issue will be subject to redemption prior to maturity on or after December 15, 2009. These bonds may be redeemed either as a whole at any time or in part on any interest payment date at the following redemption prices plus accrued interest, if any, to the date of redemption.

Redemption Period (Dates Inclusive)	Redemption Price (as a % of Par)
December 15, 2009 to December 14, 2010	101%
December 15, 2010 to December 14, 2011	100.5%
December 15, 2011 and thereafter	100%

Note 8 – Bonds Payable (Continued)

The annual requirements to amortize all amounts due to the primary government and bonds outstanding at December 31, 1999, including interest of $17,495,452 are as follows:

Year	Principal	Interest	Total
2000	$ 1,265,000	$ 1,590,658	$ 2,855,658
2001	1,305,000	1,538,435	2,843,435
2002	1,340,000	1,483,330	2,823,330
2003	1,380,000	1,425,340	2,805,340
2004	1,415,000	1,364,114	2,779,114
2005 through 2009	7,880,000	5,770,244	13,650,244
2110 through 2014	9,550,000	3,590,761	13,140,761
2015 through 2018	7,490,000	732,570	8,222,570
	31,625,000	$ 17,495,452	$ 49,120,452
Less: Unamortized original issue discount	(189,187)		
	$ 31,435,813		

Note 9 – Defeasance of Debt

On September 15, 1999 the Authority advance refunded $2,330,000 of its 1996A serial bonds and $2,195,000 of its 1996B serial bonds using grants of $4,000,000 from New York State and $525,000 of funds released from restricted cash. These funds were used to purchase U. S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for portions of future debt service on the 1996A and 1996B serial bonds. As a result, portions of these serial bonds are considered to be defeased and the liability for those bonds of $4,525,000 has been removed from bonds payable. Defeased bonds totaling $4,440,000 were outstanding at December 31, 1999.

Note 10 - Pension Plan

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

Note 10 - Pension Plan (Continued)

Funding policy **-** The System is non-contributory except for employees who joined ERS after July 27, 1976, who contribute 3% of their salary. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2000 and 1999, are as follows:

	Tier	GTLI	Regular
2000	2	.1	-
	3	.1	-
	4	.1	-
1999	2	.3	.3
	3	.3	.3
	4	.3	.3

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

1999	$	3,737
1998		355
1997		86

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

Note 11 - Compensated Absences

Unused vacation time may be carried forward to subsequent years. Unused personal time is added to sick leave, which may be taken at any time. The Authority has determined that the potential liability for accumulated vacation and sick leave at December 31, 1999 and 1998 was $23,476 and $31,918, respectively. These amounts are included in accrued expenses of the Authority.

Note 12 - Post-Employment Health Care Benefits

The Authority had no obligation for post-employment health care benefits at December 31, 1999 or December 31, 1998.

Note 13 - Summary of Significant Contingencies

Risk Management

The Authority purchases various conventional insurance policies to reduce its exposure to loss. The Authority maintains a general liability policy with coverage of up to $6 million and property, automobile, and directors and officers liability policies with coverage up to $2 million each. Settled claims from these risks have not exceeded commercial coverage in any of the past three fiscal years. The Authority purchases conventional insurance coverage for health, workers' compensation and unemployment benefits.

Note 13 - Summary of Significant Contingencies (Continued)

Litigation

The Authority is a defendant in a lawsuit brought over the value of land it acquired through condemnation proceedings. As the case is still in the early stages of fact-finding, it is not possible to estimate the cost, if any, of this litigation to the Authority.

Cash Restrictions

Upon issuance of the serial bonds, the indentures required a restricted cash balance of $3,240,000 in 1999 and $4,035,660 in 1998, which is maintained with the trustee for the bonds. At December 31, 1999 and 1998 the Authority also had remitted to the trustee $161,842 and $282,135, respectively, which was restricted for the payment of principal and interest on the serial bonds. In addition, at December 31, 1999 and 1998, the trustee held $7,244,900 and $13,140,319, respectively, for the purchase and construction of facilities. These amounts have been reflected as restricted cash on the balance sheets.