

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
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DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12601-5444

Report on the Financial Statements

We have audited the accompanying financial statements of the Dutchess County Resource Recovery Agency, a component unit of Dutchess County, New York, which comprise the Statements of Net Position as of December 31, 2012, and 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 which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Resource Recovery Agency as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Dutchess County Resource Recovery Agency as of December 31, 2011, were audited by other auditors whose report dated March 23, 2012, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for Other Postemployment Benefit Plan, listed in the Table of Contents, 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 regarding 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of the Dutchess County Resource Recovery Agency'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 controls 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 Dutchess County Resource Recovery Agency's internal control over financial reporting.

Sedore + Company, CPAs

Poughkeepsie, New York
March 18, 2013



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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 Directors
Dutchess County Resource Recovery Agency
96 Sand Dock Road
Poughkeepsie, New York 12601-5444

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dutchess County Resource Recovery Agency, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Dutchess County Resource Recovery Agency's basic financial statements, and have issued our report thereon dated March 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dutchess County Resource Recovery Agency's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dutchess County Resource Recovery Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Dutchess County Resource Recovery Agency'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. Given these limitations, during our audit we did not identify any deficiencies in

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internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dutchess County Resource Recovery Agency'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*.

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.

Seidore + Company, CPAs
Poughkeepsie, New York
March 18, 2013

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Our discussion and analysis of the Dutchess County Resource Recovery Agency (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2012. Please read this discussion and analysis along with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

	<u>2012</u>	<u>2011</u>	<u>2010</u>	2012 & 2011 Variance over (under)
Tip fee (\$/ton)	\$ 80	\$ 80	\$ 80	\$ -
Tonnage received at RRF	\$ 160,830	\$ 162,650	\$ 152,623	\$ (1,820)
Tonnage received at MRF	3,941	5,369	8,111	(1,428)
Total tonnage received	<u>\$ 164,771</u>	<u>\$ 168,019</u>	<u>\$ 160,734</u>	<u>\$ (3,248)</u>
Energy sales	<u>\$ 2,906,817</u>	<u>\$ 2,771,857</u>	<u>\$ 2,885,335</u>	<u>\$ 134,960</u>

Tipping fees decreased in 2012 primarily due to the decrease in metal sales of \$164,052. This was caused by the decrease in the scrap metal market price, which in turn caused an overall decrease in revenue to the Agency.

Energy sales increased due to the fact that the Contractor is burning at a higher rate which produces more electricity.

Service fees decreased in 2012 by \$35,059. This was mainly due to the decrease in MRF processing fees.

The reduction of principal balances of our bonds caused a decrease in overall interest expense.

The increase in net service fees is due to the reduction in tip fee revenues, increase in expenses and an increase in the next bond principal payment due in 2013.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Overview of the Financial Statements

Statement of Net Position

The statements of net position present the assets, liabilities, and net position of the Agency at the end of each year. The purpose of the statements of net position is to present to the readers of the financial statements a fiscal snapshot of Dutchess County Resource Recovery Agency. From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the Agency. They are also able to determine how much the Agency owes vendors, employees and others. Finally, the statements of net position provide a picture of the Agency's financial position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for use by the Agency.

	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets	\$ 15,592,116	\$ 15,284,439
Capital assets	<u>28,255,267</u>	<u>30,309,346</u>
Total Assets	<u>43,847,383</u>	<u>45,593,785</u>
Deferred Outflows of Resources	<u>491,569</u>	<u>622,785</u>
Total Assets and Deferred Outflows	<u>\$ 44,338,952</u>	<u>\$ 46,216,570</u>
Liabilities:		
Long-term debt outstanding	\$ 19,735,000	\$ 23,145,000
Other liabilities	<u>9,636,651</u>	<u>9,240,500</u>
Total Liabilities	<u>29,371,651</u>	<u>32,385,500</u>
Deferred Inflows of Resources	<u>257,935</u>	<u>363,894</u>
Net Assets:		
Restricted Funds	11,648,374	11,577,232
Invested in capital-type assets, net of related debt	5,343,897	4,188,236
Unrestricted	<u>(2,282,905)</u>	<u>(2,298,292)</u>
Total Net Position	<u>14,709,366</u>	<u>13,467,176</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 44,338,952</u>	<u>\$ 46,216,570</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

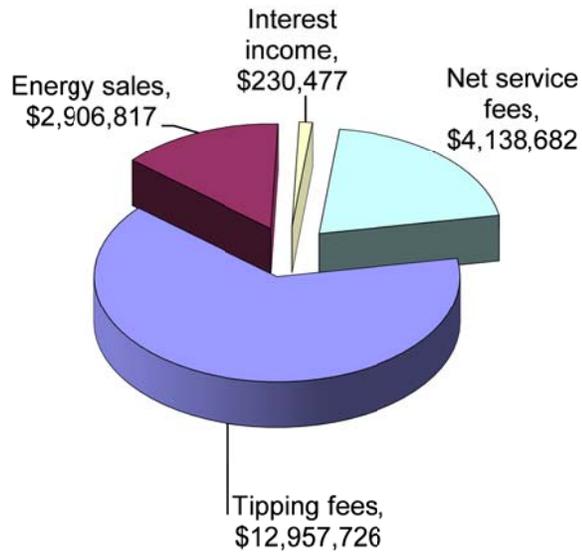
Statements of Revenue, Expenses, and Changes in Net Position

Changes in net position, as presented on the statements of net position, are based on the activity presented in the statements of revenue, expenses and changes in net position. The purpose of the statement is to present the revenue received by the Agency, both operating and non-operating, and the expenses paid by the Agency, operating and non-operating, and any other revenue, expenses, gains and losses received or spent by the Agency.

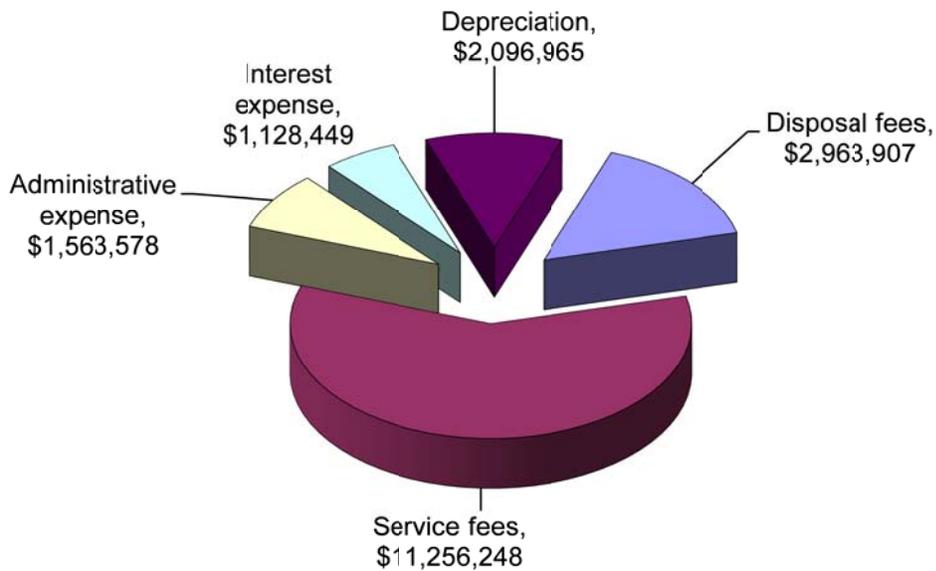
	2012	2011	2010	2012 & 2011 Variance over (under)
Revenue:				
Tipping fees	\$ 12,957,726	\$ 13,195,808	\$ 12,202,295	\$ (238,082)
Energy sales	2,906,817	2,771,857	2,885,335	134,960
Interest income	230,477	230,549	234,129	(72)
Total Revenue	16,095,020	16,198,214	15,321,759	(103,194)
Expenses:				
Disposal fees	2,963,907	2,662,917	2,424,357	300,990
Service fees	11,256,248	11,291,307	11,152,987	(35,059)
Administrative expense	1,563,578	1,440,599	1,456,522	122,979
Interest expense	1,128,449	1,295,778	1,457,216	(167,329)
Depreciation	1,984,778	2,002,413	2,143,993	(17,635)
Amortization	94,552	94,552	94,552	-
Total Expenses	18,991,512	18,787,566	18,729,627	203,946
Operating Loss	(2,896,492)	(2,589,352)	(3,407,868)	(307,140)
Other Income (Expense):				
Net service fees	4,138,682	3,644,079	4,012,233	494,603
State grants	-	-	173,831	-
Total Other Income	4,138,682	3,644,079	4,186,064	494,603
Change in Net Position	\$ 1,242,190	\$ 1,054,727	\$ 778,196	\$ 187,463

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

DCRRA - ACTUAL 2012 REVENUES



DCRRA - ACTUAL 2012 EXPENSES



**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Statements of Cash Flows

The final statement presented by the Agency is the statements of cash flows. The statements of cash flows present detailed information about the cash activities of the Agency during the year. The first section of the statements of cash flows deals with operating cash flows and shows the net cash provided by the operating activities of the Agency. The second section reflects the cash flows from capital and related financing activities and shows capital construction and capital asset acquisition, and the third section reflects principal/interest on capital debt.

	<u>2012</u>	<u>2011</u>
Net cash provided by operating activities	\$ 576,442	\$ 1,273,405
Net cash provided by non-capital financing activities	3,719,358	3,680,573
Net cash used in capital and related financing activities	<u>(4,449,982)</u>	<u>(4,451,590)</u>
Net Increase (decrease) in cash and cash equivalents	(154,182)	502,388
Cash and cash equivalents at beginning of year	<u>7,011,224</u>	<u>6,508,836</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,857,042</u></u>	<u><u>\$ 7,011,224</u></u>

Additional Information

The report is compiled for the use of the Agency's Governing Board, management, appropriate officials of the State of New York and members of the public interested in the Agency's affairs. Questions with regard to this financial report or requests for additional information may be addressed to the Executive Director, Dutchess County Resource Recovery Agency.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011**

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 395,754	\$ 620,979
Cash and Cash Equivalents, Restricted (Note 3)	6,461,288	6,390,245
Accounts Receivable, Less Allowance of \$15,000 in 2012 and 2011	1,308,137	1,441,462
Due from Other Governments	-	17,289
Due from Related Party	1,204,974	785,651
Prepaid Expenses	48,474	42,907
TOTAL CURRENT ASSETS	<u>9,418,627</u>	<u>9,298,532</u>
Non-current Assets:		
Due from Operator	986,403	798,921
Cash and Cash Equivalents, Restricted (Note 3)	5,187,086	5,186,986
Property, Plant and Equipment, Net of Accumulated Depreciation (Note 4)	28,255,267	30,309,346
TOTAL NONCURRENT ASSETS	<u>34,428,756</u>	<u>36,295,254</u>
TOTAL ASSETS	<u>43,847,383</u>	<u>45,593,785</u>
DEFERRED OUTFLOW OF RESOURCES		
Debt Issue Costs and Transaction Costs, Net of Accumulated Amortization	491,569	622,785
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 44,338,952</u>	<u>\$ 46,216,570</u>
LIABILITIES		
Current Liabilities:		
Bonds Payable, Current Portion (Note 5)	\$ 3,410,004	\$ 3,235,000
Accounts Payable	309,133	335,498
Accrued Expenses Payable	2,952,486	2,965,545
Accrued Interest Payable	561,353	647,890
Due to Other Governments	1,188,439	947,009
TOTAL CURRENT LIABILITIES	<u>8,421,415</u>	<u>8,130,941</u>
Non-current liabilities:		
Due to Operator	816,113	798,921
Post Employment Benefit Obligations	399,123	310,638
Bonds Payable, Less Current Portion (Note 5)	19,735,000	23,145,000
TOTAL NON-CURRENT LIABILITIES	<u>20,950,236</u>	<u>24,254,559</u>
TOTAL LIABILITIES	<u>29,371,651</u>	<u>32,385,500</u>
DEFERRED INFLOW OF RESOURCES		
Deferred Revenues	257,935	363,894
NET POSITION		
Restricted net assets	11,648,374	11,577,231
Invested in Capital-type Assets, net of related debt	5,343,897	4,188,237
Unrestricted	(2,282,905)	(2,298,292)
TOTAL NET POSITION	<u>14,709,366</u>	<u>13,467,176</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 44,338,952</u>	<u>\$ 46,216,570</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Tipping Fees	\$ 12,957,726	\$ 13,195,809
Energy Sales	2,906,817	2,771,857
Interest Income	230,477	230,548
TOTAL OPERATING REVENUES	<u>16,095,020</u>	<u>16,198,214</u>
 OPERATING EXPENSES:		
Disposal Fees	2,963,907	2,662,917
Service Fees	11,256,248	11,291,307
Administrative Expenses	1,563,578	1,440,599
Interest Expense	1,128,449	1,295,778
Depreciation	1,984,778	2,002,413
Amortization	94,552	94,552
TOTAL OPERATING EXPENSES	<u>18,991,512</u>	<u>18,787,566</u>
 OPERATING (LOSS)	<u>(2,896,492)</u>	<u>(2,589,352)</u>
 NONOPERATING INCOME (EXPENSE)		
Net Service Fees	4,138,682	3,644,079
Other Income (Expense)	-	(3,062)
TOTAL NONOPERATING INCOME	<u>4,138,682</u>	<u>3,641,017</u>
 CHANGE IN NET ASSETS	1,242,190	1,051,665
 TOTAL NET POSITION, BEGINNING OF YEAR	<u>13,467,176</u>	<u>12,415,511</u>
 TOTAL NET POSITION, END OF YEAR	<u>\$ 14,709,366</u>	<u>\$ 13,467,176</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 15,721,715	\$ 16,775,582
Payments to suppliers	(15,112,943)	(15,396,825)
Payments to employees	(262,807)	(335,901)
Interest received	230,477	230,549
Net cash provided by operating activities	<u>576,442</u>	<u>1,273,405</u>
Cash Flows from Non-capital financing Activities		
Net service fee received	3,719,358	3,675,935
State grants received	-	7,700
Other receipts/disbursements	-	(3,062)
Net cash provided by non-capital financing activities	<u>3,719,358</u>	<u>3,680,573</u>
Cash Flows from Capital and Related financing Activities		
Principal paid on capital debt	(3,234,996)	(3,075,000)
Interest paid on capital debt	(1,214,986)	(1,376,590)
Net cash (used) by capital and related financing activities	<u>(4,449,982)</u>	<u>(4,451,590)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(154,182)	502,388
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,011,224</u>	<u>6,508,836</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,857,042</u>	<u>\$ 7,011,224</u>
Presented as:		
Cash – Unrestricted	\$ 395,754	\$ 620,979
Cash – Restricted	6,461,288	6,390,245
Total	<u>\$ 6,857,042</u>	<u>\$ 7,011,224</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW (CONT'D.)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Reconciliation of operating (loss) to net cash provided

By operating activities

Operating Loss	\$ (2,896,492)	\$ (2,589,352)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,079,330	2,096,965
Interest Expense	1,128,449	1,295,778

Changes in Assets and Liabilities:

Accounts and Other Operating Receivables	(142,828)	807,917
Prepaid Expenses	(5,567)	(4,878)
Accounts Payable and Other Operating Liabilities	(9,272)	67,981
Non-Capital-Related Accrued Expenses Payable	92,907	(736,163)
Post Employment Benefit Obligations	88,485	86,362
Due to Other Governments	241,430	248,795

NET CASH PROVIDED

BY OPERATING ACTIVITIES	<u>\$ 576,442</u>	<u>\$ 1,273,405</u>
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DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Organization and Summary of Significant Accounting Policies

The Dutchess County Resource Recovery Agency ("Agency") was established as a public benefit corporation to perform the function of solid waste management within the County of Dutchess, State of New York. The Agency constructed a solid waste disposal resource recovery plant to be used for that purpose. The construction of the plant was financed primarily by the issuance of Dutchess County Resource Recovery Agency revenue bonds and New York State Environmental Quality Bond Act ("EQBA") grant proceeds. The New York State Environmental Quality Bond Act grant proceeds have been recorded as contributed capital in these financial statements. In fulfilling its function, the Agency also operates a materials recycling facility.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, some of which are as follows.

The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as Dutchess County. Inclusion in the financial reporting entity, Dutchess County, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". The Dutchess County Executive, and/or Members of the County Legislature appoint all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14.

Proprietary Fund Accounting

Basis of Accounting and Measurement Focus

As described above, the Agency performs the function of solid waste management for the residents of the County of Dutchess. Its operations are financed primarily through user charges (tipping fees). Under standards set by the GASB, the Agency is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources.

This basis differs from that used by governmental funds in that the effects of transactions in government funds are recorded when revenues are measurable and available and when expenditures are incurred. The measurement focus is the flow of current transactions.

The Agency considers all revenues as operating revenues, except that that subsidies and grants which finance either capital or current operations are reported as non-operating revenues.

The Agency generally applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Agency's policy is to apply, first, (a) all GASB pronouncements, and then (b) Financial

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

1. Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (continued)

Accounting Standards Board Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all cash and cash equivalents classified as current assets, whether unrestricted or restricted, with an original maturity of three months or less to be cash equivalents.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes interest incurred during construction. The Agency provides for depreciation of the plant and equipment on a straight-line basis over periods ranging from 3 to 40 years.

Debt Issuance Costs

Costs incurred relating to the issuance of Agency bonds and bond anticipation notes have been capitalized and are amortized on a straight-line basis over the life of the related bonds and notes.

Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capita assets – Consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds attributable to acquisition, construction or improvement of those assets, increased by deferred outflows of resources, costs incurred to obtain such financing and decreased by deferred inflows of resources, un-amortized cost reimbursements.

Restricted – Consist of assets with constraints placed in their use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation; or (3) cash and cash equivalents that are restricted for capital asset acquisition, and reduced by liabilities related to those assets..

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Income Taxes

The Agency is exempt from federal income taxes under Internal Revenue Service Code Section 115.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

1. Organization and Summary of Significant Accounting Policies (Continued)

Insurance

The Agency assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance and/or in contractual agreement with the plant operator. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations.

Post Employment Benefit Obligations

Other Postemployment Benefits (OPEB) cost, chiefly health care premiums for retirees, is required to be measured and disclosed using the accrual basis of accounting, regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost should be equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts, presented in the 2011 financial statements, primarily Due to Operator, has been reclassified to conform to the 2012 presentation. There is no effect on results of operations.

2. Cash, Cash Equivalents and Investments

Statutes authorize the Agency to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Repurchase agreements involve purchases by a broker of portfolio securities concurrently with an agreement by the broker to sell the same securities at a later date at a fixed price. Generally, the effect of such a transaction is that the Agency can invest its excess cash balances at competitive interest rates.

The Agency is subject to certain risks, specifically credit risk that parties to the repurchase agreement will not perform as required, market risk in that the value of the underlying securities may decline below cost, and legal risk in that investments may be made in securities not authorized by state and local regulations. The Agency believes its contractual arrangements and short-term nature of its investments

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

2. Cash, Cash Equivalents and Investments (Continued)

minimize these risks. Market value of the repurchase agreements, and other investments, approximates cost plus accrued interest.

In addition, the Agency, through the General Bond Resolution adopted August 6, 1998, is authorized to invest funds held under the Resolution in "Qualified Investments". Qualified Investments include the above described investments as well as certain types of commercial paper, money market accounts and investment agreement.

In January 1999, the Agency entered into a Flexible Draw Investment Agreement between the Agency, a commercial entity, and the Bond Trustee, which provides for the investment of certain restricted funds until the maturity date of the bonds. The Agency has obtained a financial guaranty insurance policy, which provides for payment of amounts due under the agreement, if not made when due.

As of December 31, 2012 and 2011, the Agency had cash deposited in various banks aggregating approximately \$350,000 and \$2,627,000, respectively, which are classified as Risk Category A, the lowest risk, as defined by the Governmental Accounting Standards Board (the GASB), as insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the entity's agent in the entity's name. As of December 31, 2012 and 2011, the Agency had additional cash and cash equivalents and investments of approximately \$11,694,035 and \$9,636,028 in various accounts, which are not covered by FDIC.

Bank balances differ from the Agency's cash balances by the amount of outstanding items clearing in the following month. The cash balances and repurchase agreements are collateralized with securities held by the counter party's trust department or agent in the entity's name and the investments are held by the counter party's trust department in the entity's name which are considered Risk Category B, as defined by the GASB.

Risk Category B	<u>2012</u>	<u>2011</u>
Bank Balance	\$ 1,975,200	\$ 11,368
U.S. Treasury Bills	4,531,749	5,450,928
Insured Investment	<u>5,187,086</u>	<u>4,173,732</u>
Total Risk Category B	<u><u>\$ 11,694,035</u></u>	<u><u>\$ 9,636,028</u></u>

Disclosures relating to risk and type of investments as presented above are indicative of activity and positions held during the year.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

3. Restricted Assets

In accordance with the terms of the general bond resolution, bond and note proceeds, accrued interest receivable, the initial collection of tipping fees and energy revenues, and investments are administered and reported upon by a trustee on behalf of the Agency and are restricted.

As of December 31, 2012 and 2011 the trustee reported the following restricted cash and cash equivalents and investments as follows:

1999 Series A	2012	2011
Project Funds	\$ 48,059	\$ 53,833
Debt Service Reserve Funds	3,600,233	3,511,761
Current Restricted Funds	<u>3,648,292</u>	<u>3,565,594</u>
Reserve and Contingency Fund	447,957	447,957
Debt Service Reserve Fund	3,794,303	3,794,303
Non-Current Restricted Funds	<u>4,242,260</u>	<u>4,242,260</u>
Total 1999 Series A	<u><u>\$ 7,890,552</u></u>	<u><u>\$ 7,807,854</u></u>
2007 Series		
Project Fund	\$ 413,893	\$ 413,850
Cost of Issuance Fund	98,199	98,187
Debt Service Reserve Fund	371,346	371,410
Current Restricted Funds	<u>883,438</u>	<u>883,447</u>
Reserve and Contingency Fund	85,891	85,884
Debt Service Reserve Fund	858,935	858,843
Non-Current Restricted Funds	<u>944,826</u>	<u>944,727</u>
Total 2007 Series	<u><u>\$ 1,828,264</u></u>	<u><u>\$ 1,828,174</u></u>

The Debt Service Reserve Funds are funded in an amount equal to the greater of any annual principal and interest or sinking fund payments, but limited to 10% of the original principal amount of the 1998 C and 1999 A Series bonds. The Reserve and Contingency Fund is funded in an amount at least equal to 10% of the debt service payments required for the current year. However, since these funds are not anticipated to be used in the subsequent year, they have been classified as restricted noncurrent assets on the balance sheet.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

3. Restricted Assets (Continued)

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1, bond principal and interest payments, amounted to \$1,929,558 at December 31, 2012 and \$1,941,204 at December 31, 2011, and are included in Restricted Current Cash and Cash Equivalents.

Restricted Assets are summarized as follows:

Current- Restricted Assets	<u>2012</u>	<u>2011</u>
Series 1999 A	\$ 3,648,292	\$ 3,565,594
Series 2007	883,438	883,447
Energy Revenues and Debt Service Funds	<u>1,929,558</u>	<u>1,941,204</u>
Total Current - Restricted Assets	<u>\$ 6,461,288</u>	<u>\$ 6,390,245</u>
 Non-Current Restricted Assets		
Series 1999 A	\$ 4,242,260	\$ 4,242,260
Series 2007 Bonds	<u>944,826</u>	<u>944,727</u>
Total Non-Current - Restricted Assets	<u>\$ 5,187,086</u>	<u>\$ 5,186,987</u>

4. Property, Plant and Equipment

Activities involving Property, Plant and Equipment for the year ended December 31, 2012 are as follows:

	<u>2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>2012</u>
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	66,181,536	-	-	66,181,536
Equipment	<u>1,164,191</u>	-	-	<u>1,164,191</u>
	67,863,318	-	-	67,863,318
Less: Accumulated Depreciation	<u>(37,553,972)</u>	<u>(2,054,079)</u>	-	<u>(39,608,051)</u>
Property, Plant, Equipment Net	<u>\$ 30,309,346</u>	<u>\$ (2,054,079)</u>	<u>\$ -</u>	<u>\$ 28,255,267</u>

Depreciation was recorded in the amount of \$2,054,079 and \$2,079,866 less amortization of deferred revenues associated with the funding of capital improvements of \$69,297 and \$77,453, resulting in \$1,984,779 and \$2,002,413 depreciation expense for the years ended 2012 and 2011, respectively.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

5. Bonds Payable

Bond Terms - 1999 A and 2007 Tax-Exempt Forward Series

In October 1999 the Agency issued the 1999 A Series Bonds in the amount of \$31,210,000, the proceeds of which were used to refund the 1998 A Series Bonds. The 1998 A Series Bonds, which were subject to a mandatory call and optional redemption on November 15, 1999, were called and payment of \$31,200,000 in principal and \$688,671 in interest was made.

In November 2007, the Agency issued the 2007 Series Bonds in the amount of \$16,140,000 to permanently finance the Agency's plant improvements to be in compliance with the standards set forth by the U.S. Environmental Protection Agency (E.P.A.).

The 1999 and 2007 Series Bonds are payable from and secured by an express lien on the unexpended proceeds of the bonds held by the Trustee; the Agency's right to receive and/or enforce receipt of revenues; and the Agency's rights and remedies under certain agreements. In addition, the Agency is required to fulfill certain covenants as described below.

Bonds payable, with interest payable semiannually on January 1, and July 1, consist of the following as of December 31, 2012 and 2011:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2012	Outstanding December 31, 2011
Serial Bonds				
5.35%	1999	2012	\$ -	\$ 3,235,000
5.40%	1999	2013	3,410,000	3,410,000
5.45%	1999	2014	3,595,000	3,595,000
5.00%	2007	2015	925,000	925,000
5.00%	2007	2016	975,000	975,000
5.00%	2007	2017	1,020,000	1,020,000
5.00%	2007	2018	1,070,000	1,070,000
5.00%	2007	2019	1,125,000	1,125,000
4.25%	2007	2020	1,180,000	1,180,000
4.25%	2007	2021	1,230,000	1,230,000
4.25%	2007	2022	1,285,000	1,285,000
4.50%	2007	2023	1,340,000	1,340,000
4.50%	2007	2024	1,400,000	1,400,000
4.50%	2007	2025	1,465,000	1,465,000
4.50%	2007	2026	1,530,000	1,530,000
4.50%	2007	2027	1,595,000	1,595,000
			<u>23,145,000</u>	<u>26,380,000</u>
			Less Current Maturities of Bonds Payable	<u>(3,410,000)</u>
			Bonds Payable - Long Term	\$ 23,145,000
			<u>\$ 19,735,000</u>	<u>\$ 23,145,000</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

5. Bonds Payable (Continued)

Annual Amortization and sinking fund requirements for Bonds Payable:

Year ended			
December 31,	Principal	Interest	Total
2013	\$ 3,410,000	\$ 1,030,636	\$ 4,440,636
2014	3,595,000	840,602	4,435,602
2015	925,000	719,513	1,644,513
2016	975,000	672,013	1,647,013
2017	1,020,000	622,138	1,642,138
2018-2022	5,890,000	2,314,470	8,204,470
2023-2027	7,330,000	853,427	8,183,427
Totals	\$ 23,145,000	\$ 7,052,799	\$ 30,197,799

The Agency has covenanted under the indenture that operating revenues earned from the disposal of solid waste at the plant plus investment earnings will equal or exceed the sum of (i) all operating expenses of the Agency contained in the budget for such bond year, (ii) an amount equal to 110% of the debt service requirement for such bond year and (iii) amounts, if any, necessary to fund the debt service reserve fund to the debt service reserve requirement or to fund the reserve and contingency fund to the reserve and contingency fund requirement.

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as Restricted Assets, Note 3, which are subject to minimum funding requirements. At December 31, 2012 and 2011 these reserves exceeded their funding requirements.

6. Employee Benefit Plans

Pension Plan:

Plan Description

The Agency participates in the New York State and Local Employees' Retirement System (ERS) (System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

6. Employee Benefit Plans (Continued)

Funding Policy

The System is non-contributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute annually at an actuarially determined rate. The required contributions for the current year and two preceding years ending December 31 were:

	<u>ERS</u>
2012	<u>\$ 69,000</u>
2011	<u>\$ 52,869</u>
2010	<u>\$ 48,011</u>

The Agency's contributions made to the System were equal to 100 percent of the contributions required for each year.

7. Post Employment Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the Agency recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows.

Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The Post Employment Benefits Liability as of December 31, 2012 and 2011 is \$399,123 and \$310,638, respectively.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011**

7. Post Employment Benefits (Continued)

Plan Description

The Agency provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Agency. The Agency administers its own plan, but does not issue separate, stand-alone financial statements. Currently, there are two retirees receiving post employment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for life of the retiree based on the retiree's years of service at retirement. A summary of benefits is as follows:

<u>Years of Service</u>	<u>% Paid by Authority</u>	
	<u>Retiree</u>	<u>Dependent/Spouse</u>
10	50%	35%
15	60%	45%
20	70%	55%
25	80%	65%

Funding Policy

The Agency is currently paying postemployment benefits for two retirees. Although the Agency is considering the establishment of trusts that would be used to accumulate and invest assets necessary to pay the accumulated liability, these financial statements assume the pay-as-you-go funding.

Annual Other Postemployment Benefit Cost

For the years ended December 31, 2012 and 2011, the Agency's OPEB cost (expense) amounted to \$109,653 and \$106,459, respectively, which was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded liabilities over an open period of 30 years.

Benefit Obligation at Normal Cost

	<u>2012</u>	<u>2011</u>
Actuarial Accrued Liability (AAL)		
Retired and Active Employees	\$ 1,027,127	\$ 1,027,127
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,027,127</u>	<u>\$ 1,027,127</u>

Annual Required Contribution (ARC)

	<u>2012</u>	<u>2011</u>
Past Service Costs	\$ 41,456	\$ 41,456
Normal Costs	68,197	65,003
Annual Required Contribution (ARC)	<u>\$ 109,653</u>	<u>\$ 106,459</u>
Percent of annual OPEB cost contributed	18.3%	17.6%

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

7. Post Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve 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 funding status of the plan and the annual expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value for plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection 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 type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial 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.

In the August 1, 2009, actuarial valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 5% rate. The valuation assumes a prescribed schedule of percentage increases in premiums over the next seventy years.

8. Commitments

Solid Waste Disposal Service Agreement

The Agency and Dutchess County entered into a solid waste disposal service agreement dated December 1, 1984, amended September 20, 1990 and September 1993. The County agreed to deliver at least 140,000 tons per year of solid waste to the plant and to pay net service fees to the Agency amounting to the excess of payments for debt service and reserves, fees to the contractor and accrued expenses over tipping fees, energy and other revenues. It is the Agency's obligation to process and to provide for disposal of the solid waste. The terms of the agreement were extended during 2007 to remain in effect through July 1, 2027.

Operations Service Agreement

The Agency has entered into an operations service agreement, with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation. The agreement is to be in effect through June 2014.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

8. Commitments (Continued)

Operations Service Agreement (Continued)

The Agency has contracted to pay to the corporation \$34 per net ton of solid waste processed, adjusted based upon changes in labor and material price indexes, 15% of revenues from electrical energy sales, up to a break-point and 50% of revenues from electrical energy sales in excess of agreed-upon levels, and, after meeting certain steam production levels, additional compensation based on 15% of the related electrical energy sales. . In addition, the Agency has contracted to pay utilities, insurance and certain other expenses pertaining to plant operations subject to certain maximum levels.

In addition, the Agency is required to pay the corporation \$500,000 per year, plus an adjustment for price index increases to reimburse the corporation for repairs and replacement of major components of the plant.

The Agency's current operating permit allows for up to 164,000 tons to be processed at the plant. However the Agency is required to supply the corporation with a minimum of 140,000 tons or pay the corporation \$34 a ton for each ton of solid waste below that amount which is not delivered to the plant adjusted based upon changes in labor and material price indexes. However, during 2012 and 2011, the Agency caused to have delivered 142,584 and 141,563 acceptable tons.

Power Sales Agreement

The Agency and a commercial corporation have entered into a power sales agreement dated November 1, 1984. The Agency agrees to sell all electricity produced by the plant in excess of its own requirements to the corporation at a price based on tariffs filed with the New York State Public Service Commission. The terms of the agreement are effective through January 1, 2008 and include provisions for an automatic renewal for two consecutive 5-year periods.

Transportation of Ash Residue and Non-processable Waste

Effective January 2, 1999, the Agency executed a contract with a commercial corporation for the transportation of ash residue and non-processable waste to a municipal landfill for the period of January 2, 1999 through December 31, 2001 for incineration residue up to 40,000 tons per year, and up to 6,000 tons for unprocessed waste per year. The contract has continued in effect through report date on similar terms.

Commencing in November 2004, the Agency executed an amendment to the contract that the commercial corporation shall deliver up to 10,000 tons per year at a cost of \$25 per ton to an alternate landfill site.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

8. Commitments (Continued)

Landfill Agreement

As of January 2008, the Agency entered into contracts with four different landfills to deliver ash residue and by-pass waste. Three of the contracts with the landfills are five year agreements which expire on December 31, 2012. The fourth contract expired on December 31, 2011 and was extended for a term of one year, from January 1, 2012 to December 31, 2012. The terms of these agreements vary based on amount of tons that can be delivered to each landfill and the cost per ton. Effective January 1, 2013, the Agency entered into a contract with a hauler and a landfill for the transportation and disposal of ash residue. The contract period is through June 30, 2014 with provisions for renewal at the Agency's option for four one year periods and provisions for fee increases accordingly.

Recyclable Processing Agreement

The Agency and Dutchess County entered into a revised recyclable processing agreement dated February 1, 1999. The County agreed to deliver at least 125 tons per week of uncontaminated recyclable materials to the Materials Recovery Facility, and it is the Agency's obligation to accept, process, and market recyclable materials. The Agency shall have the right to charge the County and the County shall have the obligation to pay the Agency net processing fees, as defined in the contract. The original terms of the agreement were in effect through December 2002, but include provisions for automatic renewal in five year increments.

Materials Recovery Facility Project Agreement

The Agency entered into an agreement through December 31, 2008, with a commercial corporation to operate its materials recovery facility. This agreement has been extended on a month to month basis through June 2011. The Agency provided the plant with commingled and source separated recyclable materials, provided for the removal and disposal of rejected materials, and paid the corporation annual service fees to operate the facility of \$0 and \$151,085 respectively, for the years ending December 31, 2012 and 2011. Effective June 30, 2011 through December 31, 2012, all recyclable materials received were transferred to the corporation's facility. The Agency is responsible for scale functions and receives a fee per ton. Effective June 30, 2011, payment of service fees was eliminated and is no longer required.

Further, as of December 31, 2012, the plant discontinued operations. The Agency has committed to remove its equipment and make minor repairs in 2013.

9. Economic Dependency

As described in Note 8 - Commitments, the Agency is entitled to receive net service fees from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover operating expenses and debt service requirements. Although these payments are subject to resolutions by the Dutchess County Legislature approving the appropriation, no approvals have been withheld to date by the Legislature. For the years ended 2012 and 2011, the Agency recorded net service revenue of \$4,138,682 and \$3,644,079.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011

10. Contingencies

Operating Permits

The Agency is required to maintain operating permits for its small power production and solid waste management facility. The 360 Operating permit expired in July 2011 and the Title V Air Control permit expired in September 2011. Applications to renew each permit were submitted to the New York State Department of Environmental Conservation (NYSDEC) prior to their expiration. The Title V Air Control permit has been renewed and runs through September 2016. The 360 Operating permit is pending NYSDEC approval of a Local Solid Waste Management Plan, which is to be submitted by Dutchess County.

Operations Service Agreement

The Agency is in the process of finalizing its 2008, 2009, 2010, 2011, and 2012 annual engineer reports with the corporation that is operating the resource recovery plant. Certain amounts and calculations from the final engineer reports may vary from those originally prepared based on continuing negotiations between the Agency and the corporation. The Agency has classified certain receivables and payables related to the reconciliations performed by the engineer as long-term, as payment is not expected in the near-term.

11. Related-Party Transactions

As more fully described in **Note 9 - Economic Dependency**, Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$4,138,682 and \$3,644,079 during 2012 and 2011. At December 31, 2012 and 2011, \$1,204,974 and \$785,651 was due from Dutchess County and included in Due from Related Party.

During 2012 and 2011, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$140,578 and \$122,637, respectively.

In addition, Dutchess County allowed the Agency to use the building designated for the Dutchess County Materials Recovery Facility rent-free. The Agency has been responsible for the repairs and maintenance on the building. As described in **Note 8 – Commitments** above, the Agency discontinued operations at the plant as of December 31, 2012.

12. New Reporting Standards

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provided guidance for reporting deferred outflows and inflows of resources and net position as defined in Concepts Statement No. 4. This statement was implemented for the year ended December 31, 2012, with 2011 amounts being presented in conformity with that statement. There was no effect on results of operations.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2012 AND 2011**

12. New Reporting Standards (Continued)

In March 2012, GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. When implemented, this Statement will require the re-consideration of reporting of assets and liabilities. The Agency is required to implement this standard for the year ending December 31, 2013. The implementation of GASB Statement 65 could have a substantive effect on the Agency's net position.

REQUIRED SUPPLEMENTAL INFORMATION

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2012 AND 2011**

The schedule of funding progress presents the results of OPEB valuations for the past three consecutive Fiscal Years. All actuarially determined information has been calculated in accordance with the actuarial assumptions and methods reflected in the actuarial valuations as of the indicated actuarial valuation date.

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2012	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 351,292	292.39%
12/31/2011	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 333,459	308.02%
12/31/2010	8/1/2009	\$ -	\$ 701,700	\$ 701,700	0%	\$ 360,022	194.90%