

ULSTER COUNTY RESOURCE  
RECOVERY AGENCY  
Financial Statements  
December 31, 2012 and 2011  
(With Independent Auditors' Reports Thereon)

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 7
Financial Statements:	
Statements of Net Position	8
Statements of Revenue, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 24
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Including Compliance with Investment Guidelines, Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	25 - 26

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Ulster County Resource Recovery Agency:

### Report on the Financial Statements

We have audited the accompanying financial statements of Ulster County Resource Recovery Agency (the Agency), a component unit of the County of Ulster, New York (the County), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements which 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.

### Auditor's 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 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 opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of December 31, 2012 and 2011, and the respective changes in financial position and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other-Matters

As discussed in note 2 to the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," 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," during 2012.

As discussed in note 15 to the financial statements, an understatement of long-term liabilities was discovered by management of the Agency during the current year. Accordingly, an adjustment has been made to net position (deficit) as of January 1, 2011 to correct this item.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters including compliance with investment guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Williamsville, New York  
March 29, 2013

Toski & Co., CPAs, P.C.

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Management's Discussion and Analysis

December 31, 2012 and 2011

### **Introduction**

The Ulster County Resource Recovery Agency (the Agency) continues its commitment to work with the County, Villages, Towns, and the City of Kingston to find ways to decrease expenses, increase revenues, and make operations more efficient while striving to provide quality solid waste management and recycling services.

The Agency is proud to present its financial statements for the fiscal year 2012. The following three financial statements are presented, including notes to the financial statements:

- Statements of net position;
- Statements of revenue, expenses, and changes in net position;
- Statements of cash flows, and notes to financial statements.

The following is a discussion and analysis of the Agency's financial performance providing a narrative overview of the activities for the year ended December 31, 2012. Readers should consider management's discussion and analysis in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

The Agency's net position improved by \$3.3 million, from \$(8.3) million (as restated) at December 31, 2011 to \$(5.0) million at December 31, 2012.

Total revenue in 2012 amounted to \$15.7 million, a \$600,000 decrease from 2011. During 2012, the Agency experienced a decrease in Municipal Solid Waste (MSW), Construction and demolition (C&D) and recycling volume. These decreases resulted in a need for an increase to County net service fees to offset the loss in revenues.

Total expenses in 2012 amounted to \$13.1 million, a \$1.4 million decrease from 2011. The Agency realized a decrease in transportation and disposal related costs due to a decrease in volume.

### **Overview of the Financial Statements**

#### **Statements of Net Position**

The statements of net position presents 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 the 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 net position (assets minus liabilities) and their availability for use by the Agency.

ULSTER COUNTY RESOURCE RECOVERY AGENCY  
Management's Discussion and Analysis, Continued

Condensed Statement of Net Position

	<u>2012</u>	<u>2011</u>
Assets:		
Assets, other than capital assets	\$ 9,570,932	9,967,684
Capital assets	<u>9,742,062</u>	<u>10,009,329</u>
Total assets	<u>19,312,994</u>	<u>19,977,013</u>
Deferred outflows of resources	<u>187,915</u>	<u>-</u>
Liabilities:		
Current liabilities	4,170,082	5,079,936
Long-term liabilities	<u>20,286,280</u>	<u>23,182,081</u>
Total liabilities	<u>24,456,362</u>	<u>28,262,017</u>
Net position (deficit):		
Investments in capital assets	9,742,062	10,009,329
Unrestricted	1,534,632	1,393,237
Related to outstanding debt	(19,230,505)	(21,103,745)
Landfill postclosure care costs	(2,780,864)	(3,590,145)
Restricted	<u>5,779,222</u>	<u>5,006,320</u>
Total net position (deficit)	<u>\$ (4,955,453)</u>	<u>(8,285,004)</u>

**Statements of Revenue, Expenses, and Changes in Net Position**

Changes in total 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 nonoperating, and the expenses paid by the Agency, operating and nonoperating, and any other revenue, expenses, gains and losses received or spent by the Agency.

Generally speaking, operating revenues are received for providing goods and services to the various private customers and municipalities that use the Agency's facilities. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Agency.

ULSTER COUNTY RESOURCE RECOVERY AGENCY  
Management's Discussion and Analysis, Continued

Statements of Revenue, Expenses,  
and Changes in Net Position

	<u>2012</u>	<u>2011</u>
Revenue:		
Program revenue:		
Grant revenue	\$ 32,228	30,024
Sales of recyclable materials	999,478	1,703,145
Solid waste service fees	12,073,009	13,046,628
County net service fees	2,474,330	1,366,153
Other revenue	59,383	38,735
General revenue:		
Investment income	115,813	115,966
Gain on disposal of assets	-	4,402
Total revenue	<u>15,754,241</u>	<u>16,305,053</u>
Expenses:		
Facilities and operations - cost of sales and service	8,761,567	10,020,015
General and administrative:		
Salaries and wages	1,636,740	1,812,799
Benefits	925,119	875,782
Administration	520,608	531,439
Depreciation	449,056	445,080
Amortization	6,712	4,704
Interest expense	660,926	750,151
Bond issuance costs	99,439	-
Total expenses	<u>13,060,167</u>	<u>14,439,970</u>
Increase in net position	2,694,074	1,865,083
(Increase) reduction in estimated liability for landfill postclosure care costs	635,477	(997,920)
Net position (deficit):		
Beginning of year, as previously reported	(8,285,004)	(7,991,501)
Adjustment for pension liability	-	(981,849)
Effect of change in accounting principle	-	(178,817)
Beginning of year, as restated	<u>(8,285,004)</u>	<u>(9,152,167)</u>
End of year	\$ <u>(4,955,453)</u>	<u>(8,285,004)</u>

## ULSTER COUNTY RESOURCE RECOVERY AGENCY

### Management's Discussion and Analysis, Continued

#### 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. The third section reflects principal/interest on capital debt.

#### Condensed Statements of Cash Flows

	<u>2012</u>	<u>2011</u>
Net cash provided by operating activities	\$ 1,657,079	3,690,574
Net cash used in capital and related financing activities	(3,170,469)	(3,595,524)
Net cash provided by investing activities	<u>115,955</u>	<u>115,937</u>
Net increase (decrease) in cash and equivalents	(1,397,435)	210,987
Cash and equivalents at beginning of year	<u>4,355,369</u>	<u>4,144,382</u>
Cash and equivalents at end of year	\$ <u>2,957,934</u>	<u>4,355,369</u>

#### Economic Outlook

The Agency's overall financial position improved during 2012 despite noted decreases in volume in solid waste and recycling. In previous years, the Agency had to contract with commercial haulers to ensure that a sufficient amount of volume was coming into the Agency in order to meet its financial obligations. On December 4, 2012, the Ulster County Legislature voted on and passed a countywide flow control law and on December 18, 2012 the Ulster County Executive signed it into law. Subsequently the law was filed with the New York State Department of State ("NYS DOS") on January 2, 2013 and on January 28, 2013 the Ulster County Clerk of the Legislature was officially notified by the NYSDOS that the law was filed which meant that as of said date, the law is now enforceable. The Flow Control Law mandates that all Municipal Solid Waste ("MSW") generated within Ulster County must be brought to an Agency designated facility, which at present are the two Agency transfer stations. The tipping fees set by the Agency's Board of Directors should insure that its annual financial obligations will be met. The major financial impacts of this new law will be an increase in solid waste service fees, the elimination of County net service fees, and the ability of the Agency to be self sustaining now and into the future.

The continuing growth of Single Stream Recycling ("SSR") in Ulster County could leave the Agency with a Materials Recovery Facility ("MRF") that is obsolete. During 2012, the Agency continued to offset some of the lost volume by bringing in out-of-county dual stream recycling, continued onsite electronics recycling program, a reduction of MRF related operational costs, and by diverting more recyclable materials out of the waste stream (i.e. metals, cardboard, etc.).

## ULSTER COUNTY RESOURCE RECOVERY AGENCY

### Management's Discussion and Analysis, Continued

The New York State Department of Environmental Conservation ("NYSDEC") has continued the on-site monitoring of the Agency's facilities. This monitoring activity will continue in 2013 and possibly beyond. The Agency is responsible for the payment of these services. Monitoring of this type can lead to violations with regards to the Agency's transfer station permits, which in turn could have a negative financial impact on the Agency and its operations. The Agency has worked, and continues to work, closely with the NYSDEC to ensure no major violations occur.

#### **Overall Analysis**

The Agency and its operations are largely driven by volume. When compared to 2011, the Agency's solid waste tonnage decreased by 9.7% and recycling sales decreased by 42.6%. A majority of the lost revenue was recouped by decreases in solid waste transportation and disposal, fuel, and personnel costs.

A significant decrease in leachate volumes at the Agency's three closed landfills resulted in a large decrease in long-term estimated liability post-closure care costs. This decrease is believed to be associated with less precipitation than in the previous year. The Agency contracted with an engineering firm in 2008 to substantiate this belief. During 2012, the Agency contracted with a different engineering firm to continue this work. The study determined that much of the leachate is groundwater which cannot be alleviated, however, an on-site treatment system could be constructed that would eliminate the need to transport and dispose of leachate. The "payback" of this system would take approximately 10 years and so therefore the Board of Directors has "tabled" the idea of doing such.

Overall, the Agency was able to maintain a positive financial position throughout 2012, but needs to review all Agency operational options in order to continue this positive trend long-term.

#### **Additional Information**

The report is compiled for the use of the Agency's Governing Board, management, appropriate officials of the County of Ulster and 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 Controller, Ulster County Resource Recovery Agency, P.O. Box 6219, 999 Flatbush Road, Kingston, New York 12402.

ULSTER COUNTY RESOURCE RECOVERY AGENCY  
 Statements of Net Position  
 December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u> (As restated)
Assets		
Current assets:		
Cash and equivalents	\$ 2,957,934	4,355,369
Investments	2,542,949	2,542,949
Receivables, net of allowance of \$76,000 in 2012 and \$92,000 in 2011	1,066,220	1,261,496
Accrued interest	38,576	38,718
Due from Ulster County	2,474,330	1,366,153
Due from FEMA	106,127	-
Prepaid expense	384,796	396,287
Total current assets	<u>9,570,932</u>	<u>9,960,972</u>
Discount at issue	-	6,712
Capital assets, net	<u>9,742,062</u>	<u>10,009,329</u>
Total assets	<u>19,312,994</u>	<u>19,977,013</u>
Deferred outflows of resources	<u>187,915</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	864,304	1,180,360
Host community benefits payable	73,691	15,771
Customer advances	17,912	817,260
Other payables	69,864	130,847
Current installments of long-term debt	2,456,230	2,250,000
Current installment of long-term pension	27,631	25,584
Current portion of landfill post closure care costs	173,804	211,185
Current portion of workers' compensation assessment	16,800	29,600
Compensated absences	469,846	419,329
Total current liabilities	<u>4,170,082</u>	<u>5,079,936</u>
Long-term debt, excluding current installments, net of premium	16,774,275	18,853,745
Long-term pension, excluding current portion	904,945	932,576
Landfill post closure care costs, excluding current portion	2,607,060	3,378,960
Workers' compensation assessment, excluding current portion	-	16,800
Total liabilities	<u>24,456,362</u>	<u>28,262,017</u>
Net position (deficit):		
Investments in capital assets	9,742,062	10,009,329
Restricted for:		
General operating costs	2,474,330	1,366,153
Landfill closure	96,135	96,124
Debt repayment	3,208,757	3,544,043
Unrestricted (deficit)	<u>(20,476,737)</u>	<u>(23,300,653)</u>
Total net position (deficit)	<u>\$ (4,955,453)</u>	<u>(8,285,004)</u>

See notes to accompanying financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY  
 Statements of Revenue, Expenses and Changes in Net Position  
 Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u> (As restated)
Operating revenue:		
Charges for sales and services:		
Sales of recyclable materials	\$ 999,478	1,703,145
Solid waste service fees	12,073,009	13,046,628
County net service fees	2,474,330	1,366,153
Other revenue	59,383	38,735
Total operating revenue	<u>15,606,200</u>	<u>16,154,661</u>
Operating expenses:		
Costs of sales and services	8,761,567	10,020,015
Salaries and wages	1,636,740	1,812,799
Benefits	925,119	875,782
Administration	520,608	531,439
Depreciation	449,056	445,080
Amortization	6,712	4,704
Total operating expenses	<u>12,299,802</u>	<u>13,689,819</u>
Operating income	<u>3,306,398</u>	<u>2,464,842</u>
Nonoperating revenue (expenses):		
Investment income	115,813	115,966
Grant revenue	32,228	30,024
Interest expense	(660,926)	(750,151)
Bond issuance costs	(99,439)	-
Gain on disposal of assets	-	4,402
Total nonoperating revenue (expenses)	<u>(612,324)</u>	<u>(599,759)</u>
Increase in net position	2,694,074	1,865,083
(Increase) reduction in estimated liability for landfill post closure care costs	635,477	(997,920)
Net position (deficit):		
Beginning of year, as previously reported	(8,285,004)	(7,991,501)
Adjustment for pension liability	-	(981,849)
Effect of change in accounting principle	-	(178,817)
Beginning of year, as restated	<u>(8,285,004)</u>	<u>(9,152,167)</u>
End of year	<u>\$ (4,955,453)</u>	<u>(8,285,004)</u>

See accompanying notes to financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u> (As restated)
Cash flows from operating activities:		
Receipts from services	\$ 13,787,824	16,494,320
Payments to suppliers	(9,560,726)	(10,215,251)
Payment to employees	<u>(2,570,019)</u>	<u>(2,588,495)</u>
Net cash provided by operating activities	<u>1,657,079</u>	<u>3,690,574</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(181,789)	(482,320)
Bond issuance costs	(99,439)	
Proceeds from Bonds	6,392,370	
Proceeds from disposal of assets	-	16,797
Grant revenue	32,228	30,024
Landfill post closure care costs	(173,804)	(211,185)
Principal paid on long-term debt	(8,470,610)	(2,175,000)
Principal paid on long-term pension	(25,584)	(23,689)
Interest paid on long-term obligations	<u>(643,841)</u>	<u>(750,151)</u>
Net cash used in capital and related financing activities	<u>(3,170,469)</u>	<u>(3,595,524)</u>
Cash flows from investing activities - investment income received	<u>115,955</u>	<u>115,937</u>
Net increase (decrease) in cash and equivalents	(1,397,435)	210,987
Cash and equivalents at beginning of year	<u>4,355,369</u>	<u>4,144,382</u>
Cash and equivalents at end of year	<u>\$ 2,957,934</u>	<u>4,355,369</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	3,306,398	2,464,842
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	449,056	445,080
Amortization expense	6,712	4,704
Changes in:		
Receivables	89,149	(119,565)
Due from Ulster County	(1,108,177)	16,741
Prepaid expenses	11,491	(72,550)
Accounts payable and other payables	(319,119)	421,727
Workers' compensation assessment	(29,600)	46,400
Deferred inflows	(799,348)	442,483
Compensated absences	<u>50,517</u>	<u>40,712</u>
Net cash provided by operating activities	<u>\$ 1,657,079</u>	<u>3,690,574</u>

See accompanying notes to financial statements.

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes to Financial Statements

December 31, 2012 and 2011

### (1) Organization

The Ulster County Resource Recovery Agency (the Agency), a Public Benefit Corporation, was established on December 31, 1986, for the purpose of establishing a solid waste management plan, and to develop, finance, construct, and operate facilities and projects to implement the plan in the County of Ulster, New York (the County). On December 14, 1992, the Agency began landfill operations under its interim "landfill consolidation plan" at the Town of New Paltz landfill. In February 1993 and May 1993, commencement of landfill operations under this plan began at the towns of Ulster and Lloyd, respectively. All three landfill operations were closed as of December 31, 1996. As of January 1, 1997, the Agency started transporting solid waste to other counties.

### (2) Summary of Significant Accounting Policies

#### (a) Financial Reporting Entity

The Agency is governed by Article 13-g of the Public Authorities Law (Act) and other laws of the State of New York, as indicated in such Act. The governing body is referred to herein as the "Board of Directors." The scope of activities included within the accompanying financial statements are those transactions which comprise Agency operations, and are governed by, or significantly influenced by, the Board of Directors.

The financial reporting entity includes all funds, functions and organizations over which the Agency officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. No other governmental organizations have been included or excluded from the reporting entity.

The Agency is considered a component unit of the County and is included in the financial statements of the County. The Agency's Board of Directors is appointed by the Chairperson of the County Legislature and confirmed by the Legislature as a whole, for terms of three years. As such, the County can impose its will indirectly on the Agency.

The accompanying basic financial statements of the Agency have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

## ULSTER COUNTY RESOURCE RECOVERY AGENCY

### Notes to Financial Statements, Continued

#### (2) Summary of Significant Accounting Policies, Continued

##### (a) Financial Reporting Entity, Continued

The Agency reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The basic financial statements of the Agency consist of statements of net position, statements of revenue, expenses, and changes in net position, that distinguishes between operating and nonoperating revenues and expenses, and statements of cash flows, using the direct method of presenting cash flows from operations. The business type activity presentation includes all of the Agency's funds and account groups.

The Agency's policy for defining operating activities in the statements of revenue, expenses, and changes in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 34. These nonoperating activities include the Agency's operating revenues from net investment income, grant revenue, interest expense and gains from the disposal of assets.

GASB Statement No. 34 requires that resources be classified for accounting and financial reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets. See unrestricted below.
- Restricted - Net assets with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted - All other categories of net assets. Included in unrestricted net assets are amounts not available for other purposes. The liability for debt is shown as a reduction of unrestricted since it was not possible to distinguish the amount that is related to capital assets.

##### (b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Beginning in 2012, the Agency adopted the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements." This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

## ULSTER COUNTY RESOURCE RECOVERY AGENCY

### Notes to Financial Statements, Continued

#### (2) Summary of Significant Accounting Policies, Continued

##### (b) Basis of Accounting

For the year ended December 31, 2012, the Agency implemented GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This statement amends the net asset reporting requirements in GASB Statement No. 34 - "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows or resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

For the year ended December 31, 2012, the Agency implemented GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

The implementation of these standards required restatement of the Agency's net position at the beginning of the year ended December 31, 2011. The effect of the restatement is to reduce beginning net position in the year ended December 31, 2011 by \$178,817 to reflect expensing of bond issuance costs of \$121,845 and elimination of 2011 amortization expense of \$56,972, all of which are recorded within the statements of net position and statements of revenue, expenses and changes in net position.

##### (c) Budgetary Policies

The budget policies are as follows:

- Agency administration compiles a proposed budget for approval by the Board of Directors by August of each year for the ensuing year consistent with accounting principles generally accepted in the United States of America.
- The budget is then submitted to the County Executive for review. This is followed by a public hearing process. Finally, the budget is adopted in October of each year by the Board of Directors.

##### (d) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### (e) Cash and Equivalents

For financial statement purposes, the Agency considers all highly liquid investments with maturities of three months or less to be cash equivalents. Due to debt service reserve requirements, varying amounts of cash equivalents may need to be restricted throughout the year.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Receivables and Allowance for Doubtful Accounts

Receivables are stated at the amount management estimates will be collected on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

(g) Capital Assets

Capital assets are stated at cost, or in the case of gifts, fair value at the date of the receipt. The Agency's policy is to capitalize equipment which has a cost in excess of \$1,000 and has a useful life of at least three years. Building renovations, building additions, machinery and equipment, heavy equipment, computers, software, vehicles, trailers, and furniture and fixtures with a unit cost of greater than \$1,000 are capitalized. Agency capital assets, with the exception of land, are depreciated on a straight-line basis over their useful lives, which range from 3 to 50 years.

(h) Interfund Transfers

During the course of operations, the Agency has numerous transactions between funds, including expenditures and transfers of revenues to provide services, construct assets, and repay debt. This interfund activity has no affect on the basic financial statements as a whole, and therefore, was eliminated from the entity wide financial statements.

(i) Net Position

Restricted/Unrestricted Resources - Portions of net position are segregated for future use; and are, therefore, not available for current appropriation or expenditure. If an expense is incurred for purposes for which both restricted and unrestricted assets are available, the policy is to follow Board of Directors resolution when deciding which assets to use.

(j) Advertising Costs

Advertising costs are expensed as incurred.

(k) Subsequent Events

The Agency has evaluated events after December 31, 2012, and through March 29, 2013, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(3) Cash Equivalents and Investments

The Agency's investment policies are governed by New York State statutes and the Agency's investment policy adopted August 6, 1993. Cash equivalents and investments at year-end were either fully insured by Federal Deposit Insurance Corporation (FDIC) and/or are collateralized with U.S. government obligations held in the Agency's custodial bank in the Agency's name. Coverage was less than 100% of the balances on deposit. Investments consist primarily of guaranteed investment contracts (GICs) purchased directly by the Agency. Cash equivalents and investments are categorized into these three categories of custodial risk:

- (1) Insured or registered, or investments held by the Agency, or the Agency's agent in the Agency's name.
- (2) Uninsured and unregistered, with the investments held by the financial institution's trust department or agent in the Agency's name.
- (3) Uninsured and unregistered, with investments held by the financial institution or its trust department or agent, but not in the Agency's name.

At December 31, 2012, the Agency's cash equivalents and investment balances were as follows:

	<u>Category</u>			<u>Reported amount/ fair value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash and equivalents	\$ 1,417,656	1,540,278	-	2,957,934
Investments	-	<u>2,542,949</u>	-	<u>2,542,949</u>
Total	\$ <u>1,417,656</u>	<u>4,083,227</u>	<u>-</u>	<u>5,500,883</u>

At December 31, 2011, the Agency's cash equivalents and investment balances were as follows:

	<u>Category</u>			<u>Reported amount/ fair value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash and equivalents	\$ 2,101,454	2,253,915	-	4,355,369
Investments	-	<u>2,542,949</u>	-	<u>2,542,949</u>
Total	\$ <u>2,101,454</u>	<u>4,796,864</u>	<u>-</u>	<u>6,898,318</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(4) Capital Assets

Capital asset activity for the years ended December 31, 2012 and 2011 is as follows:

	2012			Ending balances
	Beginning balances	Additions	Retirements	
Land	\$ 683,172	-	-	683,172
Buildings	10,205,776	310,640	-	10,516,416
Machinery and equipment	3,218,618	10,585	-	3,229,203
Trailers	402,525	-	-	402,525
Computers	40,981	11,348	-	52,329
Software	29,127	19,621	(12,380)	36,368
Vehicles	1,273,080	-	-	1,273,080
Furniture and fixtures	68,715	-	-	68,715
Infrastructure	6,046	7,750	-	13,796
Construction-in-process	<u>252,346</u>	<u>73,338</u>	<u>(251,493)</u>	<u>74,191</u>
Total capital assets	<u>16,180,386</u>	<u>433,282</u>	<u>(263,873)</u>	<u>16,349,795</u>
Less accumulated depreciation and amortization:				
Buildings	2,090,873	273,850	-	2,364,723
Machinery and equipment	2,428,257	101,352	-	2,529,609
Trailers	396,786	5,739	-	402,525
Computers	24,917	8,710	-	33,627
Software	29,127	3,270	(12,380)	20,017
Vehicles	1,140,189	53,833	-	1,194,022
Furniture and fixtures	60,757	1,806	-	62,563
Infrastructure	<u>151</u>	<u>496</u>	<u>-</u>	<u>647</u>
Total accumulated depreciation and amortization	<u>6,171,057</u>	<u>449,056</u>	<u>(12,380)</u>	<u>6,607,733</u>
Capital assets, net	<u>\$ 10,009,329</u>	<u>(15,774)</u>	<u>(251,493)</u>	<u>9,742,062</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	2011			Ending balances
	Beginning balances	Additions	Retirements	
Land	\$ 683,172	-	-	683,172
Buildings	10,049,866	217,886	(61,976)	10,205,776
Machinery and equipment	3,297,556	37,502	(116,440)	3,218,618
Trailers	446,675	-	(44,150)	402,525
Computers	36,517	7,761	(3,297)	40,981
Software	29,127	-	-	29,127
Vehicles	1,320,712	-	(47,632)	1,273,080
Furniture and fixtures	68,715	-	-	68,715
Infrastrure	-	6,046	-	6,046
Construction-in-process	39,221	213,125	-	252,346
Total capital assets	<u>15,971,561</u>	<u>482,320</u>	<u>(273,495)</u>	<u>16,180,386</u>
Less accumulated depreciation and amortization:				
Buildings	1,876,372	264,082	(49,581)	2,090,873
Machinery and equipment	2,446,595	98,102	(116,440)	2,428,257
Trailers	421,167	19,769	(44,150)	396,786
Computers	21,415	6,799	(3,297)	24,917
Software	28,589	538	-	29,127
Vehicles	1,133,988	53,833	(47,632)	1,140,189
Furniture and fixtures	58,951	1,806	-	60,757
Infrastructure	-	151	-	151
Total accumulated depreciation and amortization	<u>5,987,077</u>	<u>445,080</u>	<u>(261,100)</u>	<u>6,171,057</u>
Capital assets, net	<u>\$ 9,984,484</u>	<u>37,240</u>	<u>(12,395)</u>	<u>10,009,329</u>

(5) Deferred Outflow of Resources

As of December 31, 2012 the Agency had deferred outflows of resources amounting to \$187,915. This balance is the unamortized loss on defeasement recognized in 2012 in connection with the advance refunding of a portion of the 2002 Serial Bonds.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(6) Retirement Plan

The Agency is a participant in the New York State and Local Retirement System (the System). Employees had the option to buy past service credits with the retirement system at no cost to the Agency. This is a cost sharing multiple public employer cost-sharing retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). 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, 110 State Street, Albany, New York 12244.

Funding Policy

The System is noncontributory except for employees who joined after July 27, 1976 and prior to January 1, 2010, who have less than ten years of service or membership, are required to contribute 3% of their salary throughout their active membership. Employees who joined on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% throughout their active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Employer contribution rates ranged from 10.1% to 18.6% of salaries for the year ended December 31, 2012 and from 12.7% to 15.8% for year ended December 31, 2011. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

2012	\$ 401,333
2011	353,215
2010	275,908

Participating employers are required to make payments on a current basis, while amortizing existing unpaid amounts relating to the fiscal years when the local employer opts to participate in the program. The total unpaid liability as of December 31, 2012 and 2011 was \$932,576 and \$958,160, respectively. An adjustment amounting to \$981,849 has been reported to restate net position as of January 1, 2011 for this liability.

(7) Long-Term Debt

Long-term debt at December 31, 2012 and 2011 consists of the following:

(a) Long-Term Debt

Serial bonds, term bonds, capital appreciation bonds, and long-term notes - The Agency borrows money in order to acquire or construct assets or to pay for landfill closure costs. This enables the cost of these capital assets to be borne by the present and future users, who will benefit from the capital assets. The assets of the Agency have been pledged as security for the outstanding debt.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(7) Long-Term Debt, Continued

(b) Changes

The changes in the Agency's indebtedness during the years ended December 31, 2012 and 2011 are summarized as follows:

	2012					
	Balances				Balances	Due Within
	January 1	Additions	Deductions	December 31	One Year	
Term notes	\$ 785,000	-	(120,000)	665,000	125,000	
Term bonds	2,844,990	-	(685,000)	2,159,990	695,000	
Serial bonds	12,025,000	6,410,000	(7,650,000)	10,785,000	1,065,000	
Capital appreciation bonds	5,448,755	-	-	5,448,755	-	
Subtotal	21,103,745	6,410,000	(8,455,000)	19,058,745	2,425,000	
Unamortized premium	-	187,370	(15,610)	171,760	31,230	
	\$ <u>21,103,745</u>	<u>6,597,370</u>	<u>(8,470,610)</u>	<u>19,230,505</u>	<u>2,456,230</u>	

  

	2011			
	Balances			Balances
	January 1	Additions	Payments	December 31
Term notes	\$ 905,000	-	(120,000)	785,000
Term bonds	3,504,990	-	(660,000)	2,844,990
Serial bonds	13,420,000	-	(1,395,000)	12,025,000
Capital appreciation bonds	5,448,755	-	-	5,448,755
Total	\$ <u>23,278,745</u>	<u>-</u>	<u>(2,175,000)</u>	<u>21,103,745</u>

(c) Maturity

The following is a summary of maturity of indebtedness as of December 31, 2012:

<u>Description of issue</u>	<u>Issue date</u>	<u>Final maturity</u>	<u>Interest rate</u>	<u>Outstanding at 12/31/12</u>
Term bonds	03/10/1999	03/01/2014	2.20%	\$ 889,990
Term bonds	12/30/1998	08/01/2016	2.23%	295,000
Term bonds	07/01/1999	03/01/2017	2.20%	975,000
Term note	05/01/2000	03/01/2017	2.82%	665,000
Serial bonds	12/18/2002	03/01/2018	3.75 - 5.25%	2,915,000
Serial bonds	07/21/2006	03/01/2021	4.50 - 5.00%	1,460,000
Serial bonds	05/25/2012	03/01/2018	2.00 - 3.00%	6,410,000
Capital appreciation bonds	12/18/2002	03/01/2025	4.96 - 5.29%	5,448,755
				19,058,745
Unamortized bond premium				171,760
Total long-term debt, net				\$ <u>19,230,505</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(7) Long-Term Debt, Continued

The maturities of these issues as of December 31, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,425,000	442,200	2,867,200
2014	2,455,000	345,222	2,800,222
2015	2,070,000	276,628	2,346,628
2016	2,130,000	210,184	2,340,184
2017	2,130,000	137,892	2,267,892
2018 - 2022	5,355,530	4,312,834	9,668,364
2023 - 2027	<u>2,493,215</u>	<u>5,131,785</u>	<u>7,625,000</u>
	19,058,745	10,856,745	29,915,490
Unamortized bond premium	<u>171,760</u>	<u>-</u>	<u>171,760</u>
	<u>\$ 19,230,505</u>	<u>10,856,745</u>	<u>30,087,250</u>

Interest payments are higher in later years. The capital appreciation bonds accrue interest but do not have scheduled payments.

(d) Advance Refunding of Debt

The Agency entered into agreements in prior years with M & T Bank (as escrow agent) for the advance refunding of bonds. The purpose of this advance refunding was to reduce aggregate debt service payments. M & T Bank is Trustee of the escrow funds paid to them by the Agency for the payment of the debt. The balances of the defeased bonds (2000 bond issue) not yet paid at December 31, 2012 amounted to \$3,065,000.

The Agency entered into an agreement in 2012 with M & T Bank (as escrow agent) for the advance refunding of bonds. The purpose of this advance refunding was to reduce aggregate debt service payments. M & T Bank is Trustee of the escrow funds paid to them by the Agency for the payment of the debt. The balances of the defeased bonds (2002 refunded bonds) not yet paid at December 31, 2012 amounted to \$6,205,000.

The escrow assets and liabilities for the defeased obligations are not included in the Agency's financial statements. Any differences between the cash flow requirements of the defeased debt and replacement debt are unknown.

(8) Customer Advances

As of December 31, 2012 and 2011, the Agency had advances amounting to \$17,912 and \$817,260, respectively. These balances consist of deposits from a customer as part of an agreement to dispose of municipal solid waste, including construction and demolition debris, at the Agency's transfer stations. The Agency has agreed to accept a maximum of 300 tons of trailer transported waste, plus a minimum of 250 tons of non-trailer transported waste per week.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(8) Customer Advances, Continued

The original agreement, covered the period January 1, 2004 through December 31, 2006 and was amended and extended to cover the period January 1, 2007, through December 31, 2009. A second amendment and extension covered the period January 1, 2010, through December 31, 2012. This contract was not extended.

The customer was required to place an initial deposit of \$671,000 with the Agency which was reduced each week for the cost of the waste disposed during that week. As part of the agreement, the customer was not to exceed the cost of the remaining balance and was required to replenish the deposit amount with an amount equal to the disposal cost of 11,000 tons of solid waste within ten business days of the remaining deposit balance reaching \$40,000.

The first agreement extension set new rates for municipal solid waste and added non-compacted roll-off solid waste as a separate type of waste covered by the prepaid arrangement. Under the modified agreement, the customer was required to submit an initial deposit of \$930,000 with the Agency. Thereafter, the customer was required to deposit with the Agency sufficient funds to cover the disposal cost of 15,000 tons of solid waste computed at the rate of disposal for trailer transported solid waste. The customer was also required to place an additional deposit sufficient to cover the disposal cost of 4,000 tons of non-compacted roll-off solid waste with an initial deposit of \$308,000. The deposit would be reduced each week for the cost of roll-off solid waste disposed during that week. As part of the agreement, the customer was not to exceed the cost of the remaining balance and was required to replenish the deposit with an amount equal to the disposal cost of 4,000 tons of non-compacted roll-off solid waste within ten business days of the deposit balance reaching \$15,000.

Under the second modified agreement, the customer was required to submit an initial deposit of \$967,500 with the Agency. As part of the agreement, the customer was not to exceed the cost of the remaining balance and was required to replenish the deposit amount with an amount equal to the disposal cost of 15,000 tons of solid waste within ten business days of the remaining deposit balance reaching \$200,000. The customer was also required to place an additional deposit sufficient to cover the disposal cost of 4,000 tons of non-compacted roll-off solid waste with an initial deposit of \$298,000. All other parts of the prior agreement remained in effect through December 31, 2012.

(9) Unrestricted Net Deficit

The Agency's unrestricted net deficit as of December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
General unrestricted	\$ 1,534,632	1,241,445
Insurance reserve	-	151,792
Related to outstanding debt	(19,230,505)	(21,103,745)
Landfill post-closure care costs	<u>(2,780,864)</u>	<u>(3,590,145)</u>
	<u>\$ (20,476,737)</u>	<u>(23,300,653)</u>

## ULSTER COUNTY RESOURCE RECOVERY AGENCY

### Notes to Financial Statements, Continued

#### (10) Compensated Absences

Employees of the Agency are entitled to reimbursement of unused sick and vacation time at the time of retirement or other termination of service. The Agency's policy is to accrue the cost of compensated absences as earned and vested by the Agency's employees. This amount is included as a payable in the accompanying statements of net position in the amount of \$469,846 and \$419,329 as of December 31, 2012 and 2011, respectively.

#### (11) Contingencies

Contingencies at December 31, 2012 consist of the following:

##### (a) Risk Financing and Related Insurance

The Agency maintains insurance policies with commercial insurers. It supplements this insurance coverage through the insurance reserve fund. The Agency's deductible for environmental liability insurance is \$100,000. Other deductibles for various policies range from \$1,000 to \$5,000 for each event. The Board of Directors authorize the amount that is in this insurance reserve fund to ensure that there are sufficient monies to pay deductibles.

The balances in the insurance reserve at December 31, 2011 amounted to \$151,792. There was no balance in the insurance reserve at December 31, 2012. The reserved monies are maintained in a separate account. There were no claims paid out of this fund in 2012 and 2011.

The reserve's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for coverage, and to develop a comprehensive loss control program. If the insurance reserve's assets were to be exhausted, the Agency would be responsible for the insurance reserve's liabilities. The Agency uses insurance agreements to reduce its exposure to large losses on insured events.

Insurance permits recovery of a portion of losses from the insurer, although it does not discharge the liability of the insurance reserve as direct insurer of the risks insured. The insurance reserve establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Agency has obtained an environmental impairment policy. Should this policy be discontinued for any reason, this will impact the insurance reserve's funding requirements. Liabilities for future claims of this nature are not reasonably estimated at this time.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(11) Contingencies, Continued

(a) Risk Financing and Related Insurance, Continued

During 2012 the Agency determined that this Reserve Fund was no longer needed because the Agency is sufficiently protected by its insurance policies, and transferred the remaining balance in the Fund to the Operating Reserve.

(b) Landfill Closure and Post-Closure Care Costs

New York State and Federal laws required the Agency to place a final cover on its landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Agency is currently in the post-closure phase at each of the landfills. The post-closure period goes throughout the year 2028. In 2011, the annual post-closure monitoring and maintenance cost for all three landfills was \$211,185. In 2010, a study was initiated to analyze the projected costs. Current projections prepared by the Agency, of annual post-closure monitoring and maintenance costs for all three landfills, are \$173,804 for each of the remaining 16 years as follows:

	<u>Ulster landfill</u>	<u>New Paltz landfill</u>	<u>Lloyd landfill</u>	<u>Total</u>
Environmental monitoring	\$ 7,650	5,765	6,982	20,397
Leachate disposal	43,425	72,263	-	115,688
Facility maintenance	<u>33,001</u>	<u>2,918</u>	<u>1,800</u>	<u>37,719</u>
Total annual cost	\$ <u>84,076</u>	<u>80,946</u>	<u>8,782</u>	<u>173,804</u>

The liability for landfill post-closure care costs at December 31, 2012 consists of the following:

Total annual cost	\$ 173,804
Remaining years	<u>16</u>
Total liability	2,780,864
Less current portion	<u>(173,804)</u>
Landfill post-closure care costs, excluding current portion	\$ <u>2,607,060</u>

(c) Workers' Compensation Assessment

For the years 1999-2007, the Agency participated in a Workers' Compensation Trust that became inactive on December 31, 2008. The Trust has seen adverse claims development for the years in which the Agency was a member. Due to the continuation of these claims, the Trust's reserves were weakened and assessments have now been required. As a Member of the Trust, the Agency is legally obligated to meet this assessment demand as part of our joint and several liability agreements under the New York State Workers' Compensation Law, the Trust Agreement, and the Indemnity Agreement the Agency executed upon joining the Trust. The Agency's membership obligations exist until all claims of the Trust are liquidated or transferred to an insurance carrier. Agency obligations amounted to \$16,800 and \$46,400 as of December 31, 2012 and 2011, respectively.

## ULSTER COUNTY RESOURCE RECOVERY AGENCY

### Notes to Financial Statements, Continued

#### (11) Contingencies, Continued

##### (d) Litigation

In the normal course of business, it is not uncommon for the Agency to incur litigation surrounding certain events. There are outstanding lawsuits involving amounts that have been filed against the Agency. Based on the facts presently known, management and in-house legal counsel do not expect these matters to have a material adverse effect on the Agency's financial condition or results of operations.

#### (12) Concentrations of Credit Risk

The Agency has a credit risk with respect to receivables, due to its concentration of customers within a single industry and the possible affect of economic factors in a single geographic area.

#### (13) Related Party Transactions

As part of the agreement between the County and the Agency, the County will provide the Agency each year with net service funds to assist with operating expenses incurred by the Agency. County net service fees amounted to \$2,474,330 and \$1,366,153 for the years ended December 31, 2012 and 2011, respectively. The amount due from Ulster County amounted to \$2,474,330 and \$1,366,153 at December 31, 2012 and 2011, respectively.

#### (14) Grant Revenue

The Agency received grant revenue from Household Hazardous Waste State Assistance Program. This program is funded by the New York State Department of Environmental Conservation's Environmental Protection Fund. The Agency administers household hazardous waste events several times per year. This collection provides a safe disposal alternative for electronics, hazardous pesticides, solvents and other household chemicals to the residents of Ulster County. Grant revenue received represents a 50% reimbursement of Agency disbursements with regards to operating these events. The Agency received \$32,228 and \$30,024 for this program during the year ended December 31, 2012 and 2011, respectively.

#### (15) Adjustment to Net Position

An adjustment was recorded in order to correct an understatement of long-term pension liability at January 1, 2011 amounting to \$981,849 (note 6).