

ULSTER COUNTY RESOURCE
RECOVERY AGENCY
Financial Statements
December 31, 2013 and 2012
(With Independent Auditors' Reports Thereon)

ULSTER COUNTY RESOURCE RECOVERY AGENCY

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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, 2013 and 2012, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of December 31, 2013 and 2012, 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.

Misstatement of Previously Issued Financial Statements

As discussed in note 16 to the financial statements the December 31, 2012 financial statements have been restated to correct an understatement of accrued interest expense. Our opinion is not modified with respect to this matter.

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 24, 2014, 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 24, 2014

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Management's Discussion and Analysis

December 31, 2013 and 2012

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 2013. 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, 2013. 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 \$500,000, from \$(5.1) million at December 31, 2012 to \$(4.6) million at December 31, 2013.

Total revenue in 2013 amounted to \$13.9 million, a \$1.8 million decrease from 2012. During 2013, the Agency experienced a decrease in volume but an increase in solid waste service fees due to the implementation of Flow Control. The decrease in revenue was directly related to the elimination of County net service fees.

Total expenses in 2013 amounted to \$12.1 million, a \$1.0 million decrease from 2012. 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, deferred outflows, 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>2013</u>	<u>2012</u>
Assets:		
Assets, other than capital assets	\$ 8,480,905	9,570,932
Capital assets	<u>9,748,944</u>	<u>9,742,062</u>
Total assets	<u>18,229,849</u>	<u>19,312,994</u>
Deferred outflows of resources	<u>153,749</u>	<u>187,915</u>
Liabilities:		
Current liabilities	4,150,918	4,364,734
Long-term liabilities	<u>18,861,720</u>	<u>20,286,280</u>
Total liabilities	<u>23,012,638</u>	<u>24,651,014</u>
Net position:		
Net investment in capital assets	9,748,944	9,742,062
Unrestricted	(17,655,187)	(20,671,389)
Restricted	<u>3,277,203</u>	<u>5,779,222</u>
Total net position	<u>\$ (4,629,040)</u>	<u>(5,150,105)</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>2013</u>	<u>2012</u>
Revenue:		
Program revenue:		
Grant revenue	\$ 37,212	32,228
Sales of recyclable materials	845,121	999,478
Solid waste service fees	12,755,202	12,073,009
County net service fees	-	2,474,330
Other revenue	86,757	59,383
General revenue:		
Investment income	115,968	115,813
Gain on disposal of assets	<u>21,900</u>	<u>-</u>
Total revenue	<u>13,862,160</u>	<u>15,754,241</u>
Expenses:		
Facilities and operations - cost of sales and service	7,905,082	8,761,567
General and administrative:		
Salaries and wages	1,572,149	1,636,740
Benefits	897,717	925,119
Administration	671,947	520,608
Depreciation	643,759	449,056
Amortization	-	6,712
Interest expense	413,657	642,774
Bond issuance costs	<u>-</u>	<u>99,439</u>
Total expenses	<u>12,104,311</u>	<u>13,042,015</u>
Increase in net position	1,757,849	2,712,226
(Increase) reduction in estimated liability for landfill postclosure care costs	(1,236,784)	635,477
Net position:		
Beginning of year	<u>(5,150,105)</u>	<u>(8,497,808)</u>
End of year	\$ <u>(4,629,040)</u>	<u>(5,150,105)</u>

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.

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

Condensed Statements of Cash Flows

	<u>2013</u>	<u>2012</u>
Net cash provided by operating activities	\$ 4,677,175	1,657,079
Net cash used in capital and related financing activities	(3,619,552)	(3,170,469)
Net cash provided by investing activities	<u>115,870</u>	<u>115,955</u>
Net increase (decrease) in cash and equivalents	1,173,493	(1,397,435)
Cash and equivalents at beginning of year	<u>2,957,934</u>	<u>4,355,369</u>
Cash and equivalents at end of year	\$ <u>4,131,427</u>	<u>2,957,934</u>

Economic Outlook

The Agency's overall financial position improved during 2013 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 ("NYSDOS") 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 results of the countywide flow control law were as expected. The Agency met all of its obligations for the year without the assistance of a County subsidy. Based on the subsidy calculation as stipulated in the contract between the Agency and Ulster County, the amount due from Ulster County would have been \$621,096 for the year ended December 31, 2013. Expectations for the upcoming year are very positive, volume is expected to remain consistent, and no County subsidy is anticipated.

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 2013, 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.). Management and its Board of Directors review monthly MRF cost analysis statements in an effort to closely monitor operations.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Management's Discussion and Analysis, Continued

In the past 18 months, the Agency has implemented a composting operation pilot program. Efforts will continue throughout 2014 and beyond to grow this new program. The pilot program has developed composted material that has earned certification from the US Composting Council, as well as acceptance from the NYS Department of Environmental Conservation. It is the Agency's belief that this source of waste reduction will only grow in New York State, and Ulster County is currently leading the way.

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 2014 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 2012, the Agency's solid waste tonnage in 2013 decreased by 11.5% and recycling sales decreased by 15.4%. A majority of the lost revenue was recouped by decreases in solid waste transportation and disposal, fuel, and personnel costs.

A significant increase in leachate volumes at two of the Agency's three closed landfills resulted in a large increase in long-term estimated liability post-closure care costs. This increase is believed to be associated with more 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 continued to "table" the idea of doing such.

Overall, the Agency was able to maintain a positive financial position throughout 2013, while continuing to successfully pay down on its long term obligations. The Agency expects positive results to continue in both the short and 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, 2013 and 2012

Assets:	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and equivalents	\$ 4,131,427	2,957,934
Investments	2,542,949	2,542,949
Receivables, net of allowance of \$54,000 in 2013 and \$76,000 in 2012	1,425,356	1,066,220
Accrued interest	38,674	38,576
Due from Ulster County	-	2,474,330
Due from FEMA	-	106,127
Prepaid expense	342,499	384,796
Total current assets	<u>8,480,905</u>	<u>9,570,932</u>
Capital assets, net	<u>9,748,944</u>	<u>9,742,062</u>
Total assets	<u>18,229,849</u>	<u>19,312,994</u>
Deferred outflows of resources	<u>153,749</u>	<u>187,915</u>
Liabilities:		
Current liabilities:		
Accounts payable	655,755	864,304
Accrued interest	115,015	194,652
Host community benefits payable	12,069	73,691
Customer advances	4,200	17,912
Other payables	75,026	69,864
Current installments of long-term debt	2,525,915	2,456,230
Current installment of long-term pension	29,842	27,631
Current portion of landfill post closure care costs	251,103	173,804
Current portion of workers' compensation assessment	10,512	16,800
Compensated absences	471,481	469,846
Total current liabilities	<u>4,150,918</u>	<u>4,364,734</u>
Long-term debt, excluding current installments, net of premium	14,414,429	16,774,275
Long-term pension, excluding current portion	875,103	904,945
Landfill post closure care costs, excluding current portion	3,515,442	2,607,060
Workers' compensation assessment, excluding current portion	56,746	-
Total liabilities	<u>23,012,638</u>	<u>24,651,014</u>
Net position:		
Net investment in capital assets	9,748,944	9,742,062
Restricted for:		
General operating costs	-	2,474,330
Landfill closure	96,145	96,135
Debt repayment	3,181,058	3,208,757
Unrestricted (deficit)	<u>(17,655,187)</u>	<u>(20,671,389)</u>
Total net position	<u>\$ (4,629,040)</u>	<u>(5,150,105)</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenue:		
Charges for sales and services:		
Sales of recyclable materials	\$ 845,121	999,478
Solid waste service fees	12,755,202	12,073,009
County net service fees	-	2,474,330
Other revenue	<u>86,757</u>	<u>59,383</u>
Total operating revenue	<u>13,687,080</u>	<u>15,606,200</u>
Operating expenses:		
Costs of sales and services	7,905,082	8,761,567
Salaries and wages	1,572,149	1,636,740
Benefits	897,717	925,119
Administration	671,947	520,608
Depreciation	643,759	449,056
Amortization	<u>-</u>	<u>6,712</u>
Total operating expenses	<u>11,690,654</u>	<u>12,299,802</u>
Operating income	<u>1,996,426</u>	<u>3,306,398</u>
Nonoperating revenue (expenses):		
Investment income	115,968	115,813
Grant revenue	37,212	32,228
Interest expense	(413,657)	(642,774)
Bond issuance costs	-	(99,439)
Gain on disposal of assets	<u>21,900</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>(238,577)</u>	<u>(594,172)</u>
Increase in net position	1,757,849	2,712,226
(Increase) reduction in estimated liability for landfill post closure care costs	(1,236,784)	635,477
Net position:		
Beginning of year, as previously stated	(5,150,105)	(8,285,004)
Prior period adjustment (see note 16)	<u>-</u>	<u>(212,804)</u>
Beginning of year, as restated	<u>(5,150,105)</u>	<u>(8,497,808)</u>
End of year	<u>\$ (4,629,040)</u>	<u>(5,150,105)</u>

See accompanying notes to financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY
 Statements of Cash Flows
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from services	\$ 15,894,689	13,787,824
Payments to suppliers	(8,753,250)	(9,560,726)
Payment to employees	<u>(2,464,264)</u>	<u>(2,570,019)</u>
Net cash provided by operating activities	<u>4,677,175</u>	<u>1,657,079</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(491,377)	(181,789)
Bond issuance costs	-	(99,439)
Proceeds from bonds	-	6,392,370
Proceeds from disposal of assets	73,400	-
Grant revenue	37,212	32,228
Landfill post closure care costs	(251,103)	(173,804)
Principal paid on long-term debt	(2,500,925)	(8,470,610)
Principal paid on long-term pension	(27,631)	(25,584)
Interest paid on long-term obligations	<u>(459,128)</u>	<u>(643,841)</u>
Net cash used in capital and related financing activities	<u>(3,619,552)</u>	<u>(3,170,469)</u>
Cash flows from investing activities - investment income received	<u>115,870</u>	<u>115,955</u>
Net increase (decrease) in cash and equivalents	1,173,493	(1,397,435)
Cash and equivalents at beginning of year	<u>2,957,934</u>	<u>4,355,369</u>
Cash and equivalents at end of year	<u>\$ 4,131,427</u>	<u>2,957,934</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	1,996,426	3,306,398
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	643,759	449,056
Amortization expense	-	6,712
Changes in:		
Receivables	(253,009)	89,149
Due from Ulster County	2,474,330	(1,108,177)
Prepaid expenses	42,297	11,491
Accounts payable and other payables	(265,009)	(319,119)
Workers' compensation assessment	50,458	(29,600)
Customer advances	(13,712)	(799,348)
Compensated absences	<u>1,635</u>	<u>50,517</u>
Net cash provided by operating activities	<u>\$ 4,677,175</u>	<u>1,657,079</u>
Supplemental schedule of cash flow information - noncash investing and financing activity - equipment purchases with capital leases	<u>\$ 210,764</u>	<u>-</u>

See accompanying notes to financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements

December 31, 2013 and 2012

(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 three net position categories:

- Net investment in capital assets - 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 position 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 position. Included in unrestricted net position 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, Continued

Beginning in 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.

Beginning in 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.

(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, 2013, and through March 24, 2014, 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, 2013, 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	\$ 2,726,902	1,404,525	-	4,131,427
Investments	-	<u>2,542,949</u>	-	<u>2,542,949</u>
Total	\$ <u>2,726,902</u>	<u>3,947,474</u>	-	<u>6,674,376</u>

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>5,500,883</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(4) Capital Assets

Capital asset activity for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>			<u>Ending balances</u>
	<u>Beginning balances</u>	<u>Additions</u>	<u>Retirements</u>	
Land	\$ 683,172	-	-	683,172
Buildings	10,516,416	29,758	-	10,546,174
Machinery and equipment	3,229,203	423,944	(206,000)	3,447,147
Trailers	402,525	169,752	(40,000)	532,277
Computers	52,329	-	-	52,329
Software	36,368	-	-	36,368
Vehicles	1,273,080	55,158	-	1,328,238
Furniture and fixtures	68,715	12,209	(5,957)	74,967
Infrastructure	13,796	4,555	-	18,351
Construction-in-process	<u>74,191</u>	<u>6,765</u>	<u>-</u>	<u>80,596</u>
Total capital assets	<u>16,349,795</u>	<u>702,141</u>	<u>(251,957)</u>	<u>16,799,979</u>
Less accumulated depreciation and amortization:				
Buildings	2,364,723	265,660	-	2,630,384
Machinery and equipment	2,529,609	303,082	(154,500)	2,678,191
Trailers	402,525	10,610	(40,000)	373,135
Computers	33,627	5,292	-	38,919
Software	20,017	6,540	-	26,557
Vehicles	1,194,022	49,655	-	1,243,677
Furniture and fixtures	62,563	2,116	(5,957)	58,722
Infrastructure	<u>647</u>	<u>804</u>	<u>-</u>	<u>1,451</u>
Total accumulated depreciation and amortization	<u>6,607,733</u>	<u>643,759</u>	<u>(200,457)</u>	<u>7,051,035</u>
Capital assets, net	<u>\$ 9,742,062</u>	<u>58,382</u>	<u>(51,500)</u>	<u>9,748,944</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	2012			
	<u>Beginning balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balances</u>
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>

(5) Deferred Outflow of Resources

As of December 31, 2013 and 2012 the Agency had deferred outflows of resources amounting to \$153,749 and \$187,915 respectively. 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 were 21% of salaries for the year ended December 31, 2013 and ranged from 10.1% to 18.6% of salaries for the year ended December 31, 2012. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

2013	\$ 385,798
2012	401,333
2011	353,215

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, 2013 and 2012 was \$904,945 and \$932,576, respectively.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(7) Long-Term Debt

Long-term debt at December 31, 2013 and 2012 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.

(b) Changes

The changes in the Agency's indebtedness during the years ended December 31, 2013 and 2012 are summarized as follows:

	2013				
	Balances January 1	Additions	Deductions	Balances December 31	Due Within One Year
Term notes	\$ 665,000	-	(125,000)	540,000	130,000
Term bonds	2,159,990	-	(695,000)	1,464,990	715,000
Serial bonds	10,785,000	-	(1,605,000)	9,180,000	1,610,000
Capital appreciation bonds	5,448,755	-	-	5,448,755	-
Capital lease	-	210,764	(44,695)	166,069	39,685
Subtotal	19,058,745	210,764	(2,469,695)	16,799,814	2,494,685
Unamortized premium	171,760	-	(31,230)	140,530	31,230
	\$ 19,230,505	210,764	(2,500,925)	16,940,344	2,525,915
2012					
	Balances January 1	Additions	Deductions	Balances December 31	Due Within 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
	\$ 21,103,745	6,597,370	(8,470,610)	19,230,505	2,456,230

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(7) Long-Term Debt, Continued

(c) Maturity

The following is a summary of maturity of indebtedness as of December 31, 2013:

<u>Description of issue</u>	<u>Issue date</u>	<u>Final maturity</u>	<u>Interest rate</u>	<u>Outstanding at 12/31/13</u>
Term bonds	03/10/1999	03/01/2014	2.20%	\$ 449,990
Term bonds	12/30/1998	08/01/2016	2.23%	225,000
Term bonds	07/01/1999	03/01/2017	2.20%	790,000
Term note	05/01/2000	03/01/2017	2.82%	540,000
Serial bonds	12/18/2002	03/01/2018	3.75 - 5.25%	1,550,000
Serial bonds	07/21/2006	03/01/2021	4.50 - 5.00%	1,325,000
Serial bonds	05/25/2012	03/01/2018	2.00 - 3.00%	6,305,000
Capital appreciation bonds	12/18/2002	03/01/2025	4.96 - 5.29%	5,448,755
Capital lease	09/19/2013	09/19/2017	3.017%	<u>166,069</u>
				16,799,814
Unamortized bond premium				<u>140,530</u>
Total long-term debt, net				\$ <u>16,940,344</u>

The maturities of these issues as of December 31, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,494,685	344,532	2,839,217
2015	2,110,882	274,357	2,385,239
2016	2,172,116	204,758	2,376,874
2017	2,173,386	130,669	2,304,055
2018	1,850,000	59,825	1,909,825
2019 - 2023	4,133,670	5,405,955	9,539,625
2024 - 2027	<u>1,865,075</u>	<u>3,969,914</u>	<u>5,835,000</u>
	16,799,814	10,390,010	27,189,835
Unamortized bond premium	<u>140,530</u>	-	<u>140,530</u>
	\$ <u>16,940,344</u>	<u>10,390,010</u>	<u>27,330,365</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, 2013 amounted to \$2,330,000.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(7) Long-Term Debt, Continued

(d) Advance Refunding of Debt, Continued

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, 2013 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, 2013 and 2012, the Agency had advances amounting to \$4,200 and \$17,912, respectively.

The December 31, 2013 balance consists of payments received from customers in 2013 for their 2014 permits. The issuances of these permits began in February 2013 and were issued as part of the new countywide flow control law.

The December 31, 2012 balance consists 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.

(9) Unrestricted Net Deficit

The Agency's unrestricted net deficit as of December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
General unrestricted	\$ 3,051,702	1,339,980
Related to outstanding debt	(16,940,344)	(19,230,505)
Landfill post-closure care costs	<u>(3,766,545)</u>	<u>(2,780,864)</u>
	\$ <u>(17,655,187)</u>	<u>(20,671,389)</u>

(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 \$471,481 and \$469,846 as of December 31, 2013 and 2012, respectively.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(11) Contingencies

Contingencies at December 31, 2013 consist of the following:

(a) Risk Financing and Related Insurance

The Agency maintains insurance policies with commercial insurers. 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.

(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 2012, the annual post-closure monitoring and maintenance cost for all three landfills was \$173,804. 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 \$251,103 for each of the remaining 15 years as follows:

	Ulster landfill	New Paltz landfill	Lloyd landfill	Total
Environmental monitoring	\$ 7,650	5,765	7,080	20,495
Leachate disposal	95,275	75,075	-	170,350
Facility maintenance	<u>31,967</u>	<u>27,537</u>	<u>754</u>	<u>60,258</u>
Total annual cost	\$ <u>134,892</u>	<u>108,377</u>	<u>7,834</u>	<u>251,103</u>

The liability for landfill post-closure care costs at December 31, 2013 consists of the following:

Total annual cost	\$ 251,103
Remaining years	<u>15</u>
Total liability	3,766,545
Less current portion	<u>(251,103)</u>
Landfill post-closure care costs, excluding current portion	\$ <u>3,515,442</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(11) Contingencies, Continued

(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. During 2013, a Memorandum of Understanding ("MOU") was drafted. The MOU was executed in 2014 and is in effect until July 1, 2015. At the end of the MOU, it is expected that all obligations will be transferred to an insurance carrier and a settlement will be offered to all members. Agency obligations amounted to \$67,258 and \$16,800 as of December 31, 2013 and 2012, respectively.

(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 provided the Agency each year with net service funds to assist with operating expenses incurred by the Agency. County net service fees amounted to \$0 and \$2,474,330 for the years ended December 31, 2013 and 2012, respectively. The amount due from Ulster County amounted to \$0 and \$2,474,330 at December 31, 2013 and 2012, respectively.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(13) Related Party Transactions, Continued

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 on January 2, 2013 and on January 28, 2013 the Ulster County Clerk of the Legislature was officially notified by the New York state Department of State that the law was filed which meant as of that date, the law was enforceable. The Flow Control Law mandates that all Municipal Solid Waste generated within Ulster County must be brought to an Agency designated facility, which at present are the two Agency transfer stations. As a result of this law, solid waste service fees were increased and the net service fees paid by the County were eliminated.

(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 \$37,212 and \$32,228 for this program during the year ended December 31, 2013 and 2012, respectively.

(15) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 67 - "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The statement specifies the required approach for measuring the pension liability of all employers and nonemployer contributing entities participating in a pension plan and details required note disclosures for financial reporting. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning January 1, 2014 for the Agency. This statement is being evaluated for its effect on the financial statements of the Agency.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(15) Accounting Standards Issued But Not Yet Implemented, Continued

- GASB Statement No. 68 - “Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27” and GASB Statement No. 71 - “Pension Transition for Contributions Made Subsequent to the Measurement Date” replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The statements establish standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. The requirements of these statements are effective for periods beginning after June 15, 2014, which is the fiscal year beginning January 1, 2015 for the Agency. These statements are being evaluated for their effect on the financial statements of the Agency.
- GASB Statement No. 69 - “Government Combinations and Disposals of Government Operations” establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning January 1, 2014 for the Agency. This statement is not expected to have a material effect on the financial statements of the Agency.
- GASB Statement No. 70 - “Accounting and Financial Reporting for Nonexchange Financial Guarantees” improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning January 1, 2014 for the Agency. This statement is not expected to have a material effect on the financial statements of the Agency.

(16) Prior Period Adjustment

The Agency has historically recorded interest expense related to long term debt as it was paid. The prior year’s refinancing of certain long term bonds has caused a material change in the principal and interest portions of debt service. The Agency accrued this interest at year end and has restated the financial statements and net position at January 1, 2012 for the effect of this change. The amount of accrued interest was \$115,015 and \$194,652 for the years ended December 31, 2013 and 2012, respectively.