

**DUTCHESS COUNTY RESOURCE  
RECOVERY AGENCY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
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**DECEMBER 31, 2014 AND 2013**

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**Partners**

*Mark S. O'Sullivan, CPA*

*James F. Letterio, Jr., CPA*

*Linda M. Hammigan, CPA*

*James L. Sedore, Jr., CPA*

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Dutchess County Resource Recovery Agency, ("Agency"), a component unit of Dutchess County, New York, which comprise the Statements of Net Position as of December 31, 2014 and 2013, and the related Statements of Revenues, Expenses and Changes in Net Position, and Cash Flows for the years then ended, and the related notes to the financial statements which collectively comprise the Agency's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Poughkeepsie Office

2678 South Road - Suite 101 - Poughkeepsie, New York 12601

Tel: (845) 485-5510 Fax: (845) 485-5517 Email: [info@sedoreco.com](mailto:info@sedoreco.com) Web: [www.sedoreco.com](http://www.sedoreco.com)

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Resource Recovery Agency as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, on our consideration of the Dutchess County Resource Recovery Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dutchess County Resource Recovery Agency's internal control over financial reporting.

*Seider & Company, C.P.A.'s, P.C.*

Poughkeepsie, New York  
March 17, 2015



CERTIFIED PUBLIC ACCOUNTANTS, P.C.

*Navigating Your Success*

Partners

*Mark S. O'Sullivan, CPA*

*James F. Lettino, Jr., CPA*

*Linda M. Haungan, CPA*

*James L. Sedore, Jr., CPA*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dutchess County Resource Recovery Agency, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Dutchess County Resource Recovery Agency's basic financial statements, and have issued our report thereon dated March 17, 2015.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Poughkeepsie Office

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Tel: (845) 485-5510 Fax: (845) 485-5517 Email: [info@sedoreco.com](mailto:info@sedoreco.com) Web: [www.sedoreco.com](http://www.sedoreco.com)

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dutchess County Resource Recovery Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance, described as Finding 1 in the Schedule of Findings, Recommendations and Responses, or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Jedon & Company, C.P.A.'s, P.C.*

Poughkeepsie, New York  
March 17, 2015

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Our discussion and analysis of the Dutchess County Resource Recovery Agency (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2014. Please read this discussion and analysis along with the basic financial statements and the accompanying notes to those financial statements.

**Financial Highlights**

Tipping fee revenues increased in 2014 primarily due to the increase in tipping fees in excess of contractual amounts of \$85,332.

The major increase in revenues resulted from increased energy revenues due mainly to a large rebate from the energy purchaser.

Service fees decreased in 2014 by \$91,341. This was due in part to a change in Operators during the year whose performance favorably benefited the Agency.

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

The increase in net service fees is primarily due to the use of debt service reserves in 2013, which were not available in 2014.

	<u>2014 Current Operator</u>	<u>2014 Former Operator</u>	<u>2013</u>	<u>2012</u>	<u>2014 &amp; 2013 Variance over (under)</u>
Tip fee (\$/ton)	\$ 68	\$ 80	\$ 80	\$ 80	
Tonnage received at RRF	77,434	77,108	154,068	160,830	474
Tonnage received at MRF	-	-	-	3,941	-
Total tonnage received	<u>77,434</u>	<u>77,108</u>	<u>154,068</u>	<u>164,771</u>	<u>474</u>
Energy sales	<u>\$ 1,264,112</u>	<u>\$ 1,283,059</u>	<u>\$ 2,010,841</u>	<u>\$ 2,906,817</u>	<u>\$ 536,330</u>

**Overview of the Financial Statements**

**Statement of Net Position**

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Current and other assets	\$ 10,422,329	\$ 12,521,347
Capital assets	<u>23,895,478</u>	<u>26,120,011</u>
<b>Total Assets</b>	<u>\$ 34,317,807</u>	<u>\$ 38,641,358</u>
<b>Liabilities:</b>		
Long-term debt outstanding	\$ 15,215,000	\$ 16,140,000
Other liabilities	<u>8,337,653</u>	<u>10,346,826</u>
<b>Total Liabilities</b>	<u>23,552,653</u>	<u>26,486,826</u>
 <b>Deferred Inflows of Resources</b>	 <u>73,505</u>	 <u>116,597</u>
<b>Net Position:</b>		
Restricted Funds	5,061,649	8,474,953
Invested in capital-type assets, net of related debt	7,681,973	6,268,414
Unrestricted	<u>(2,051,973)</u>	<u>(2,705,432)</u>
<b>Total Net Position</b>	<u>10,691,649</u>	<u>12,037,935</u>
 <b>Total Liabilities, Deferred Inflows and Net Position</b>	 <u>\$ 34,317,807</u>	 <u>\$ 38,641,358</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2014**

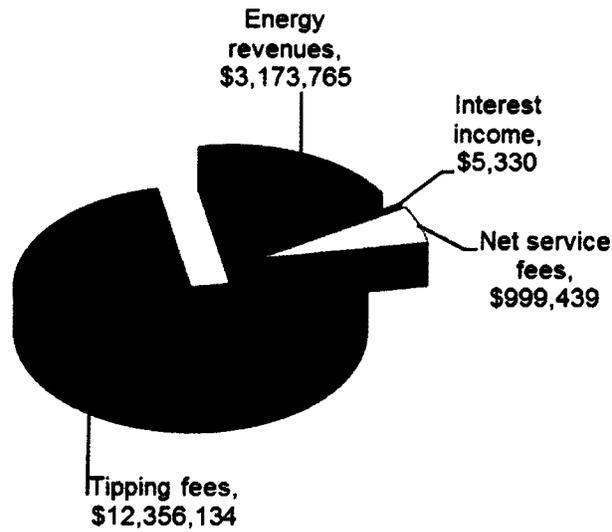
**Statements of Revenue, Expenses, and Changes in Net Position**

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

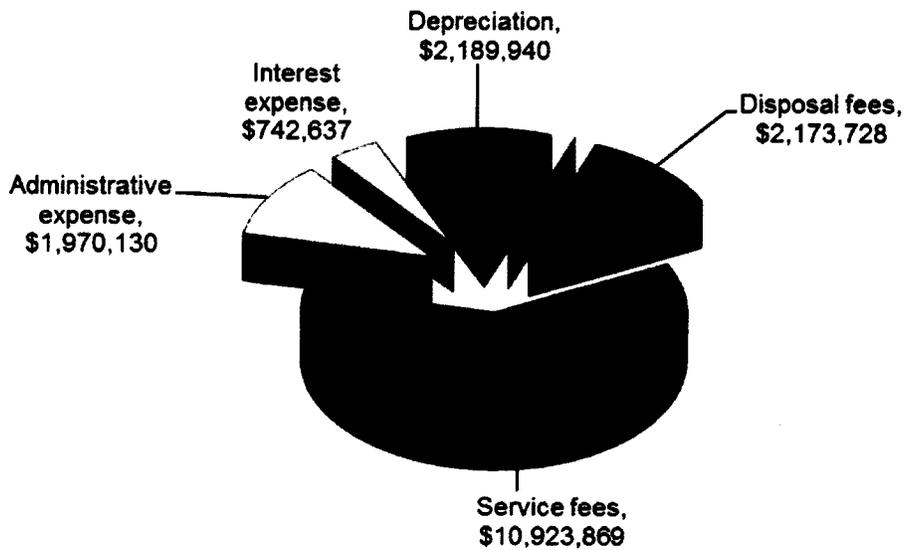
	<u>2014</u>	<u>2013</u>	<b>2014 &amp; 2013 Variance over (under)</b>
<b>Revenue:</b>			
Tipping fees	\$ 12,356,134	\$ 12,270,802	\$ 85,332
Energy revenues	3,173,765	2,062,248	1,111,517
Interest income	5,330	227,415	(222,085)
<b>Total Revenue</b>	<u>15,535,229</u>	<u>14,560,465</u>	<u>974,764</u>
<b>Expenses:</b>			
Disposal fees	2,173,728	2,022,181	151,547
Service fees	10,923,869	11,049,980	(126,111)
Administrative expense	1,970,130	1,693,794	276,336
Interest expense	742,637	938,566	(195,929)
Depreciation	2,189,940	1,962,350	227,590
<b>Total Expenses</b>	<u>18,000,304</u>	<u>17,666,871</u>	<u>333,433</u>
<b>Operating Loss</b>	<u>(2,465,075)</u>	<u>(3,106,406)</u>	<u>641,331</u>
<b>Other Income (Expense):</b>			
Net service fees	999,439	712,100	287,339
Other Income (Expense)	119,350	142,407	(23,057)
<b>Total Other Income</b>	<u>1,118,789</u>	<u>854,507</u>	<u>264,282</u>
<b>Change in Net Position</b>	<u>\$ (1,346,286)</u>	<u>\$ (2,251,899)</u>	<u>\$ 905,613</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**DCRRA - ACTUAL 2014 REVENUES**



**DCRRA - ACTUAL 2014 EXPENSES**



**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Statements of Cash Flows**

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

	<u>2014</u>	<u>2013</u>
Net cash provided by operating activities	\$ 137,106	\$ 5,476,966
Net cash provided by non-capital financing activities	810,019	2,000,950
Net cash used in capital and related financing activities	<u>(4,444,099)</u>	<u>(4,274,643)</u>
<b>Net Increase (decrease) in cash and cash equivalents</b>	(3,496,974)	3,203,273
<b>Cash and cash equivalents at beginning of year</b>	<u>10,060,315</u>	<u>6,857,042</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 6,563,341</u>	<u>\$ 10,060,315</u>

**Additional Information**

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and Cash Equivalents	\$ 3,340,530	\$ 2,402,264
Cash and Cash Equivalents, Restricted (Note 3)	3,222,811	7,658,051
Accounts Receivable, Less Allowance of \$15,000 in 2014 and 2013	1,875,625	1,599,926
Due from Related Party	105,543	-
Prepaid Expenses	<u>38,982</u>	<u>44,204</u>
<b>TOTAL CURRENT ASSETS</b>	<u>8,583,491</u>	<u>11,704,445</u>
Non-current Assets:		
Cash and Cash Equivalents, Restricted (Note 3)	1,838,838	816,902
Property, Plant and Equipment, Net of Accumulated Depreciation (Note 4)	<u>23,895,478</u>	<u>26,120,011</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>25,734,316</u>	<u>26,936,913</u>
<b>TOTAL ASSETS</b>	<u>\$ 34,317,807</u>	<u>\$ 38,641,358</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Bonds Payable, Current Portion (Note 5)	\$ 925,000	\$ 3,595,000
Accounts Payable	272,183	266,040
Accrued Expenses Payable	4,549,602	4,024,975
Accrued Interest Payable	371,319	469,283
Due to Related Party	-	83,876
Due to Other Governments	<u>1,651,103</u>	<u>1,420,552</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>7,769,207</u>	<u>9,859,726</u>
Non-current liabilities:		
Post Employment Benefit Obligations	568,446	487,100
Bonds Payable, Less Current Portion (Note 5)	<u>15,215,000</u>	<u>16,140,000</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>15,783,446</u>	<u>16,627,100</u>
<b>TOTAL LIABILITIES</b>	<u>23,552,653</u>	<u>26,486,826</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Revenues	<u>73,505</u>	<u>116,597</u>
<b>NET POSITION</b>		
Restricted	5,061,649	8,474,953
Invested in Capital-type Assets, net of related debt	7,681,973	6,268,414
Unrestricted	<u>(2,051,973)</u>	<u>(2,705,432)</u>
<b>TOTAL NET POSITION</b>	<u>10,691,649</u>	<u>12,037,935</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 34,317,807</u>	<u>\$ 38,641,358</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES:</b>		
Tipping Fees	\$ 12,356,134	\$ 12,270,802
Energy Revenues	3,173,765	2,062,248
Interest Income	5,330	227,415
<b>TOTAL OPERATING REVENUES</b>	<u>15,535,229</u>	<u>14,560,465</u>
<b>OPERATING EXPENSES:</b>		
Disposal Fees	2,173,728	2,022,181
Service Fees	10,923,869	11,049,980
Administrative Expenses	1,970,130	1,693,794
Interest Expense	742,637	938,566
Depreciation	2,189,940	1,962,350
<b>TOTAL OPERATING EXPENSES</b>	<u>18,000,304</u>	<u>17,666,871</u>
<b>OPERATING (LOSS)</b>	<u>(2,465,075)</u>	<u>(3,106,406)</u>
<b>NONOPERATING INCOME:</b>		
Net Service Fees	999,439	712,100
Other Income	119,350	142,407
<b>TOTAL NONOPERATING INCOME</b>	<u>1,118,789</u>	<u>854,507</u>
<b>CHANGE IN NET ASSETS</b>	(1,346,286)	(2,251,899)
<b>TOTAL NET POSITION, BEGINNING OF YEAR,</b>	<u>12,037,935</u>	<u>14,289,834</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 10,691,649</u>	<u>\$ 12,037,935</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 15,373,550	\$ 15,107,679
Payments to suppliers	(15,005,074)	(9,596,024)
Payments to employees	(236,700)	(262,104)
Interest received	5,330	227,415
Net cash provided by operating activities	<u>137,106</u>	<u>5,476,966</u>
<b>Cash Flows from Non-capital Financing Activities</b>		
Net service fee received	<u>810,019</u>	<u>2,000,950</u>
Net cash provided by non-capital financing activities	<u>810,019</u>	<u>2,000,950</u>
<b>Cash Flows from Capital and Related financing Activities</b>		
Principal paid on capital debt	(3,595,000)	(3,410,004)
Proceeds from sale of assets	-	166,000
Interest paid on capital debt	<u>(840,601)</u>	<u>(1,030,639)</u>
Net cash (used) by capital and related financing activities	<u>(4,444,099)</u>	<u>(4,274,643)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,496,974)	3,203,273
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>10,060,315</u>	<u>6,857,042</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,563,341</u>	<u>\$ 10,060,315</u>
<b>Presented as:</b>		
Cash – Unrestricted	\$ 3,340,530	\$ 2,402,264
Cash – Restricted	<u>3,222,811</u>	<u>7,658,051</u>
<b>Total</b>	<u>\$ 6,563,341</u>	<u>\$ 10,060,315</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
STATEMENTS OF CASH FLOW (CONT'D.)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided</b>		
<b>By Operating Activities</b>		
Operating Loss	\$ (2,465,075)	\$ (3,106,406)
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation	2,189,940	1,962,350
Interest Expense	742,637	938,566
 <b>Changes in Assets and Liabilities:</b>		
Accounts and Other Operating Receivables	(156,349)	774,629
Prepaid Expenses	5,222	4,270
Accounts Payable and Other Operating Liabilities	(1,015,793)	3,510,978
Non-Capital-Related Accrued Expenses Payable	524,627	1,072,489
Post Employment Benefit Obligations	81,346	87,977
Due to Other Governments	<u>230,551</u>	<u>232,113</u>
 <b>NET CASH PROVIDED</b>		
<b>BY OPERATING ACTIVITIES</b>	<u>\$ 137,106</u>	<u>\$ 5,476,966</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**1. Organization and Summary of Significant Accounting Policies**

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

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

The Reporting Entity

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

Proprietary Fund Accounting

Basis of Accounting and Measurement Focus

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

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

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

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all cash and cash equivalents classified as current assets, whether unrestricted or restricted, except for those discussed further in Note 3, with an original maturity of three months or less to be cash equivalents.

Property, Plant and Equipment

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

Debt Issuance Costs

Costs incurred relating to the issuance of Agency bonds and bond anticipation notes are expensed as incurred, in accordance with GASB Statement No.65.

Equity Classifications

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

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

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

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

Income Taxes

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2014 AND 2013**

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

Insurance

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

Post Employment Benefit Obligations

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

Use of Estimates

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

**2. Cash, Cash Equivalents and Investments**

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

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

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

**2. Cash, Cash Equivalents and Investments (Continued)**

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

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

As of December 31, 2014 and 2013, the Agency had cash deposited in various banks aggregating approximately \$350,000 and \$350,000, respectively, which are classified as Risk Category A, the lowest risk, as defined by the Governmental Accounting Standards Board (the GASB), as insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the entity's agent in the entity's name. As of December 31, 2014 and 2013, the Agency had additional cash and cash equivalents and investments of approximately \$8,052,158 and \$10,527,110 in various accounts, which are not covered by FDIC.

The cash balances are collateralized with securities held by the counter party's trust department or agent in the entity's name and the investments are held by the counter party's trust department in the entity's name which are considered Risk Category B, as defined by the GASB.

<b>Risk Category B</b>	<b>2014</b>	<b>2013</b>
Bank Balance	\$ 4,404,805	\$ 3,979,690
U.S. Government Money Market	3,647,353	2,373,687
Insured Investment	-	4,173,733
<b>Total Risk Category B</b>	<b>\$ 8,052,158</b>	<b>\$ 10,527,110</b>

Bank balances differ from the Agency's cash balances by the amount of outstanding items clearing in the following month.

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

**3. Restricted Assets**

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

As of December 31, 2014 and 2013, the trustee reported the following restricted cash and cash equivalents and investments as follows:

<b>1999 Series A</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Project Funds	\$ -	\$ 48,063
Reserve and Contingency Fund	-	458,312
Debt Service Reserve Funds	-	<u>3,897,686</u>
Current Restricted Funds	<u>-</u>	<u>4,404,061</u>
Reserve and Contingency Fund	-	-
Debt Service Reserve Fund	-	-
Non-Current Restricted Funds	<u>-</u>	<u>-</u>
<b>Total 1999 Series A</b>	<b><u>\$ -</u></b>	<b><u>\$ 4,404,061</u></b>
<b>2007 Series</b>		
Project Fund	\$ 512,194	\$ 512,144
Debt Service Reserve Fund	<u>1,296,322</u>	<u>928,023</u>
Current Restricted Funds	<u>1,808,516</u>	<u>1,440,167</u>
Reserve and Contingency Fund	167,138	74,264
Debt Service Reserve Fund	<u>1,671,700</u>	<u>742,638</u>
Non-Current Restricted Funds	<u>1,838,838</u>	<u>816,902</u>
<b>Total 2007 Series</b>	<b><u>\$ 3,647,354</u></b>	<b><u>\$ 2,257,069</u></b>

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

**3. Restricted Assets (Continued)**

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1, bond principal and interest payments, amounted to \$1,414,295 at December 31, 2014 and \$1,813,823 at December 31, 2013, and are included in Restricted Current Cash and Cash Equivalents.

Restricted Assets are summarized as follows:

Current- Restricted Assets	<b>2014</b>	<b>2013</b>
Series 1999 A	\$ -	\$ 4,404,061
Series 2007	1,808,516	1,440,167
Energy Revenues and Debt Service Funds	1,414,295	1,813,823
<b>Total Current - Restricted Assets</b>	<b>\$ 3,222,811</b>	<b>\$ 7,658,051</b>
Non-Current Restricted Assets		
Series 2007 Bonds	\$ 1,838,838	\$ 816,902
<b>Total Non-Current - Restricted Assets</b>	<b>\$ 1,838,838</b>	<b>\$ 816,902</b>

**4. Property, Plant and Equipment**

Activities involving Property, Plant and Equipment for the year ended December 31, 2014 are as follows:

	<b>2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>2014</b>
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	66,067,969	-	(2,293,790)	63,774,179
Equipment	856,265	8,498	(672,092)	192,671
	67,441,825	8,498	(2,965,882)	64,484,441
Less: Accumulated Depreciation	(41,321,814)	2,965,883	(2,233,032)	(40,588,963)
<b>Property, Plant, Equipment Net</b>	<b>\$ 26,120,011</b>	<b>\$ 2,974,381</b>	<b>\$(5,198,914)</b>	<b>\$ 23,895,478</b>

Depreciation was recorded in the amount of \$2,233,032 and \$2,031,650 less amortization of deferred revenues associated with the funding of capital improvements of \$43,092 and \$69,300, resulting in \$2,189,940 and \$1,962,350 depreciation expense for the years ended 2014 and 2013, respectively.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

**5. Bonds Payable**

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

In October 1999, the Agency issued the 1999 A Series Bonds in the amount of \$31,210,000, the proceeds of which were used to refund the 1998 A Series Bonds. The 1998 A Series Bonds, which were subject to a mandatory call and optional redemption on November 15, 1999, were called and a payment of \$31,200,000 in principal and \$688,671 in interest was made. In January 2014, the Agency paid off the 1999 A Series Bonds in the amount of \$3,595,000.

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

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

Bonds payable, with interest payable semiannually on January 1, and July 1, consist of the following as of December 31, 2014 and 2013:

<b>Interest Rate</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Outstanding December 31, 2014</b>	<b>Outstanding December 31, 2013</b>
<b>Serial Bonds</b>				
5.45%	1999	2014	\$ -	\$ 3,595,000
5.00%	2007	2015	925,000	925,000
5.00%	2007	2016	975,000	975,000
5.00%	2007	2017	1,020,000	1,020,000
5.00%	2007	2018	1,070,000	1,070,000
5.00%	2007	2019	1,125,000	1,125,000
4.25%	2007	2020	1,180,000	1,180,000
4.25%	2007	2021	1,230,000	1,230,000
4.25%	2007	2022	1,285,000	1,285,000
4.50%	2007	2023	1,340,000	1,340,000
4.50%	2007	2024	1,400,000	1,400,000
4.50%	2007	2025	1,465,000	1,465,000
4.50%	2007	2026	1,530,000	1,530,000
4.50%	2007	2027	1,595,000	1,595,000
			<u>16,140,000</u>	<u>19,735,000</u>
			<u>(925,000)</u>	<u>(3,595,000)</u>
<b>Bonds Payable - Long Term</b>			<u>\$ 15,215,000</u>	<u>\$ 16,140,000</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

**5. Bonds Payable (Continued)**

Annual Amortization and sinking fund requirements for Bonds Payable:

<b>Year ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 925,000	\$ 719,513	\$ 1,644,513
2016	975,000	672,013	1,647,013
2017	1,020,000	622,138	1,642,138
2018	1,070,000	569,888	1,639,888
2019	1,125,000	515,013	1,640,013
2020-2024	6,435,000	1,767,319	8,202,319
2025-2027	4,590,000	315,677	4,905,677
<b>Totals</b>	<b>\$ 16,140,000</b>	<b>\$ 5,181,561</b>	<b>\$ 21,321,561</b>

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

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as Restricted Assets, Note 3, which are subject to minimum funding requirements. At December 31, 2014 and 2013, these reserves exceeded their funding requirements.

**6. Employee Benefit Plans**

Pension Plan:

Plan Description

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

**6. Employee Benefit Plans (Continued)**

Funding Policy

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

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

	<u>ERS</u>
2014	<u>\$ 61,398</u>
2013	<u>\$ 76,705</u>
2012	<u>\$ 69,000</u>

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

**7. Post Employment Benefits**

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting the requirements of GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the Agency recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from the prior year and provides information useful in assessing potential demands on the Agency's cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability. The Post-Employment Benefits Liability as of December 31, 2014 and 2013, is \$568,446 and \$487,100, respectively.

**Benefit Obligation at Normal Cost**

	<b>2014</b>	<b>2013</b>
Actuarial Accrued Liability (AAL)		
Retired and Active Employees	<u>\$ 1,027,127</u>	<u>\$ 1,027,127</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,027,127</u>	<u>\$ 1,027,127</u>

**Annual Required Contribution (ARC)**

	<b>2014</b>	<b>2013</b>
Past Service Costs	Not Available	Not Available
Normal Costs	Not Available	Not Available
Annual Required Contribution (ARC)	<u>\$ 112,943</u>	<u>\$ 110,597</u>
Percent of annual OPEB cost contributed	25.4%	20.0%

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2014 AND 2013**

**7. Post Employment Benefits (Continued)**

Plan Description

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

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

Funding Policy

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

Annual Other Postemployment Benefit Cost

For the years ended December 31, 2014 and 2013, the Agency's OPEB cost (expense), before the consideration of current health insurance premiums of retirees, amounted to \$112,943 and \$110,597, respectively, which was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, adjusted by interest accrued on the net OPEB obligation and timing adjustments. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded liabilities over an open period of 30 years.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2014 AND 2013**

**7. Post Employment Benefits (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value for plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014, actuarial valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 2.5% baseline discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 2.5% rate. The valuation assumes a prescribed schedule of percentage increases in premiums over the next seventy years.

**8. Commitments**

Solid Waste Disposal Service Agreement

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

Operations Service Agreement

The Agency has entered into an operations service agreement, with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation. The agreement was in effect until June 2014. Upon expiration, the Agency entered into an agreement with a new commercial corporation to become the plant operator, effective July 1, 2014, and expiring 162 months from that date.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2014 AND 2013**

**8. Commitments (Continued)**

Operations Service Agreement (Continued)

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

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

The Agency, to the current Operator, has contracted to pay to the corporation \$68 per net ton of solid waste processed, plus adjustments based upon changes in labor and material price indexes, \$0.83 per ton of net agency tonnage, multiplied by 25% of revenues from electric sales, subject to adjustment in price indexes.

The Agency's current operating permit allows for up to 164,000 tons to be processed at the plant. However the Agency is required to supply the former corporation with a minimum of 140,000 tons, prorated to 70,000 for the 2014 year, as the agreement expired at the end of June 2014, or pay the corporation \$34 a ton for each ton of solid waste below that amount which is not delivered to the plant adjusted based upon changes in labor and material price indexes. Under the new Operator, the Agency is required to supply 140,000 tons, prorated to 70,000 for the 2014 year, as the agreement went into effect in July 2014, or pay the corporation \$68 a ton for each ton of solid waste below that amount which is not delivered to the plant, adjusted based upon changes in labor and material price indexes. However, during 2014 and 2013, the Agency caused to have delivered 73,796 tons in the first half of 2014 (old operator), and 77,027 tons in the second half of 2014 (new operator), totaling 150,823 and 146,513 acceptable tons.

Power Sales Agreement

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2014 AND 2013**

**8. Commitments (Continued)**

Transportation of Ash Residue and Non-processable Waste

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

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

Landfill Agreement

As of January 2008, the Agency entered into contracts with four different landfills to deliver ash residue and by-pass waste. Three of the contracts with the landfills are five year agreements which expired on December 31, 2012. The fourth contract expired on December 31, 2011 and was extended for a term of one year, from January 1, 2012 to December 31, 2012. The terms of these agreements varied based on amount of tons that can be delivered to each landfill and the cost per ton. Effective January 1, 2013, the Agency entered into a contract with a hauler and a landfill for the transportation and disposal of ash residue. The contract period is through June 30, 2014 with provisions for renewal at the Agency's option for four one year periods and provisions for fee increases accordingly. During 2013, the Agency renewed the contract for an additional year, through June 30, 2015.

**9. Economic Dependency**

As described in Note 8 - Commitments, the Agency is entitled to receive net service fees from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover operating expenses and debt service requirements. Although these payments are subject to resolutions by the Dutchess County Legislature approving the appropriation, no approvals have been withheld to date by the Legislature. For the years ended 2014 and 2013, the Agency recorded net service revenue of \$999,439 and \$712,100.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2014 AND 2013**

**10. Contingencies**

Operating Permits

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

Operations Service Agreement – Annual Reconciliations

The Agency employs an independent engineer to prepare an annual report summarizing waste processed, utility usage, supplemental compensation, and other items relating to revenues and expenses of the Operator. The Agency records a receivable and expense accrual covering amounts shown to be due to and due from Operator. The Agency and the former Operator have yet to agree to and accept the annual reconciliations for the years 2008 through 2014. Any amounts due to or from the Operator were expected to be settled concurrently with the expiration of the current contract in June 2014, however, settlement as of the date of the audit report has not been reached. A new agreement with a new Operator was in effect July 2014.

Operations Service Agreement Expiration

The contract with the former plant operator, Covanta Inc., expired on June 30, 2014. During 2013, the Agency issued a request for proposals (RFPs) for plant operators. Effective July 1, 2014, the Agency had an agreement with Wheelabrator Dutchess County, LLC, effective for 162 months from the initial effective date of July 1, 2014. The Agency may exercise an option for a First One-Year Renewal Period, upon notice to the Operator no less than six months from contract end period. The Agency may exercise a second One-Year Renewal Period, as well under the same terms. Upon mutual agreement, both parties may extend the term of the agreement for an additional six years from contract end period. Should the parties agree to a six-year extension, they may extend the agreement for an additional five years following the expiration of the initial six-year extension.

Litigation

The Agency is a defendant in a lawsuit regarding liabilities due to the former plant operator by the Agency. In the opinion of counsel, the outcome of the litigation may result in material effect on the financial condition of the Agency. The Agency maintains that the former operator is not entitled to recover on certain claims which have been brought forth. The Agency has filed a counterclaim against the former operator. At the time of the financial statement date, this matter has not been resolved, nor is it anticipated to be resolved in the near future.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2014 AND 2013**

**11. Related-Party Transactions**

As more fully described in **Note 9 - Economic Dependency**, Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$999,439 and \$712,100 during 2014 and 2013, respectively. At December 31, 2014, the Agency was owed \$105,543 by Dutchess County, reported as Due from Related Party, and at December 31, 2013, \$83,876 was due from Dutchess County and reported as Due to Related Party.

During 2014 and 2013, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$128,648 and \$139,205, respectively.

**12. New Reporting Standards**

In June 2012, GASB issued Statement 68, Accounting and Financial Reporting for Pensions, as amendment of GASB Statement 2. When implemented, this Statement will require the recording of the Agency's proportional share of the collective net pension liability of the NYS Local Government Employees Retirement System. The Agency is required to implement this standard for the year ending December 31, 2015. The implementation of this standard is expected to have a substantive effect on the Agency's net position.

GASB has also issued Statements 69 through 72, none of which are expected to have any substantive effects on the Agency's net position.

**REQUIRED SUPPLEMENTAL INFORMATION**

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY  
SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
DECEMBER 31, 2014 AND 2013**

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

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2014	12/31/2014	\$ -	\$1,027,127	\$1,027,127	0%	\$ 309,899	331.44%
12/31/2013	12/31/2011	\$ -	\$1,027,127	\$1,027,127	0%	\$ 344,260	298.36%
12/31/2012	12/31/2011	\$ -	\$1,027,127	\$1,027,127	0%	\$351,292	292.39%