

**DUTCHESS COUNTY RESOURCE
RECOVERY AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
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DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Dutchess County Resource Recovery Agency, ("Agency"), a component unit of Dutchess County, New York, as of and for the years ended December 31, 2015 and 2014, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinion

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, 2015 and 2014, and the results of its operations and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2015, the Agency adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Other Post-Employment Benefits Plan, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 5-9, 32, 33, and 34, 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 15, 2016, 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.

Sedall & Company, CPA's

Poughkeepsie, New York
March 18, 2016

**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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Dutchess County Resource Recovery Agency's basic financial statements, and have issued our report thereon dated March 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dutchess County Resource Recovery Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Sedall & Company, CPA's

Poughkeepsie, New York
March 18, 2016

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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 2015 in the amount of: \$ 334,826

Three major revenue sources decreased for the year as follows:

Recycled metal sales	(719,179)
Energy sales rate adjustments (based on market oil prices)	(521,050)
Net service fee revenue	<u>(308,787)</u>

Net decrease in major revenue sources for 2015 \$ (1,214,190)

Service fees expense decreased in 2015 by \$1,132,673. This was primarily due to the reduced contract pricing with the new Operator who began operations in July of 2014. The new operator's performance and contract favorably benefited the Agency.

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

The decrease in net service fees is primarily due to a reduction in expenditures generated by the Agency as a result of using the new Operator for the entire 2015 fiscal year. The net service fee due is a direct result of the reduction in major revenue sources above.

	2015	2014 Current Operator	2014 Former Operator	2013	2015 & 2014 Variance over (under)
Tip fee (\$/ton)	\$ 68	\$ 68	\$ 80	\$ 80	
Tonnage received at RRF	154,966	77,434	77,108	154,068	424
Total tonnage received	154,966	77,434	77,108	154,068	424
Energy sales	\$ 2,607,302	\$ 1,264,112	\$ 1,283,059	\$ 2,010,841	\$ 60,131

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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.

Statement of Net Position – Summary:

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 10,623,945	\$ 10,422,329
Capital assets	<u>21,939,206</u>	<u>23,895,478</u>
Total Assets	<u>32,563,151</u>	<u>34,317,807</u>
Deferred Outflow of Resources	<u>90,410</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>
Liabilities:		
Long-term debt outstanding	\$ 14,240,000	\$ 15,215,000
Other liabilities	<u>8,686,014</u>	<u>8,337,653</u>
Total Liabilities	<u>22,926,014</u>	<u>23,552,653</u>
Deferred Inflows of Resources	<u>57,053</u>	<u>73,505</u>
Net Position:		
Restricted Funds	5,065,998	5,061,649
Invested in capital-type assets, net of related debt	6,667,153	7,681,973
Unrestricted	<u>(2,062,657)</u>	<u>(2,051,973)</u>
Total Net Position	<u>9,670,494</u>	<u>10,691,649</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Statements of Revenue, Expenses, and Changes in Net Position

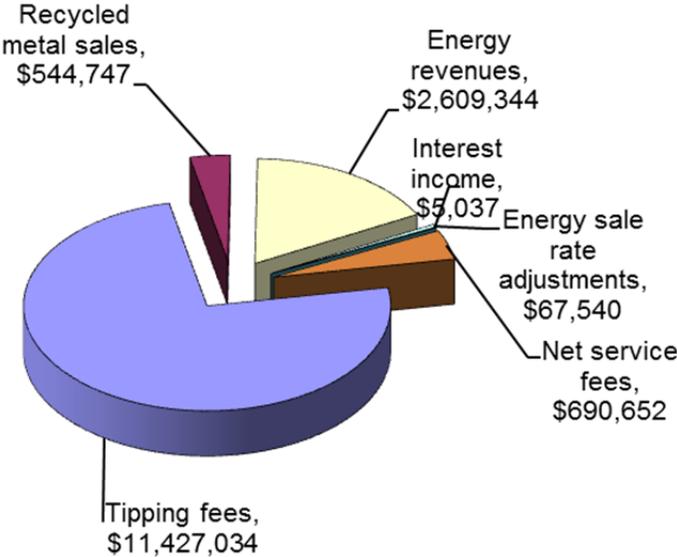
Changes in net position, as presented on the statements of net position, are based on the activity presented in the statements of revenue, expenses and changes in net position. The purpose of the statement is to present the revenue received by the Agency, both operating and non-operating, and the expenses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

Statements of Revenue, Expenses, and Changes in Net Position – Summary:

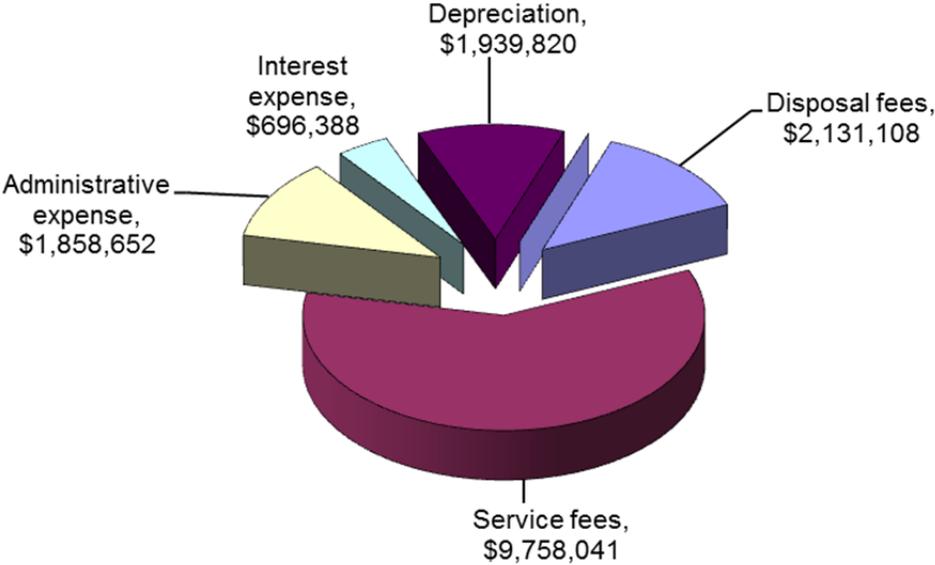
	<u>2015</u>	<u>2014</u>	<u>Variance over (under)</u>
Revenue:			
Tipping fees	\$ 11,427,034	\$ 11,092,208	\$ 334,826
Recycled metal sales	544,747	1,263,926	(719,179)
Energy revenues	2,609,344	2,585,175	24,169
Energy sales rate adjustments	67,540	588,590	(521,050)
Interest income	5,037	5,330	(293)
Total Revenue	<u>14,653,702</u>	<u>15,535,229</u>	<u>(881,527)</u>
Expenses:			
Disposal fees	2,131,108	2,173,728	(42,620)
Service fees	9,758,041	10,923,869	(1,165,828)
Administrative expense	1,858,652	1,970,130	(111,478)
Interest expense	696,388	742,637	(46,249)
Depreciation	1,939,820	2,189,940	(250,120)
Total Expenses	<u>16,384,009</u>	<u>18,000,304</u>	<u>(1,616,295)</u>
Operating Loss	<u>(1,730,307)</u>	<u>(2,465,075)</u>	<u>734,768</u>
Other Income (Expense):			
Net service fees	690,652	999,439	(308,787)
Other Income (Expense)	-	119,350	(119,350)
Total Other Income	<u>690,652</u>	<u>1,118,789</u>	<u>(428,137)</u>
Change in Net Position	<u>\$ (1,039,655)</u>	<u>\$ (1,346,286)</u>	<u>\$ 306,631</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

DCRRA - ACTUAL 2015 REVENUES



DCRRA - ACTUAL 2015 EXPENSES



**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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>2015</u>	<u>2014</u>
Net cash provided by operating activities	\$ 1,319,853	\$ 137,106
Net cash provided by non-capital financing activities	105,543	810,019
Net cash used in capital and related financing activities	<u>(1,644,513)</u>	<u>(4,444,099)</u>
Net (decrease) in cash and cash equivalents	(219,117)	(3,496,974)
Cash and cash equivalents at beginning of year	<u>6,563,341</u>	<u>10,060,315</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,344,224</u></u>	<u><u>\$ 6,563,341</u></u>

Additional Information

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

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 3,117,084	\$ 3,340,530
Cash and Cash Equivalents, Restricted (Note 3)	3,227,140	3,222,811
Accounts Receivable, Less Allowance of \$15,000 in 2015 and 2014	1,714,827	1,875,625
Due from Related Party	690,652	105,543
Prepaid Expenses	35,384	38,982
Total Current Assets	<u>8,785,087</u>	<u>8,583,491</u>
Non-current Assets:		
Cash and Cash Equivalents, Restricted (Note 3)	1,838,858	1,838,838
Property, Plant and Equipment, Net of Accumulated Depreciation (Note 4)	21,939,206	23,895,478
Total Non-current Assets	<u>23,778,064</u>	<u>25,734,316</u>
Total Assets	<u>32,563,151</u>	<u>34,317,807</u>
Deferred Outflow of Resources:		
Employee Retirement System	90,410	-
Total Deferred Outflows	<u>90,410</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>
LIABILITIES		
Current Liabilities:		
Bonds Payable, Current Portion (Note 5)	\$ 975,000	\$ 925,000
Accounts Payable	288,828	272,183
Accrued Expenses Payable	4,548,077	4,549,602
Accrued Interest Payable	348,194	371,319
Due to Other Governments	1,883,551	1,651,103
TOTAL CURRENT LIABILITIES	<u>8,043,650</u>	<u>7,769,207</u>
Non-current liabilities:		
Post Employment Benefit Obligations	624,781	568,446
Bonds Payable, Less Current Portion (Note 5)	14,240,000	15,215,000
Net Employee Retirement System Liability	17,583	-
TOTAL NON-CURRENT LIABILITIES	<u>14,882,364</u>	<u>15,783,446</u>
TOTAL LIABILITIES	<u>22,926,014</u>	<u>23,552,653</u>
DEFERRED INFLOW OF RESOURCES		
Deferred Revenues	57,053	73,505
NET POSITION		
Restricted	5,065,998	5,061,649
Invested in Capital-type Assets, net of related debt	6,667,153	7,681,973
Unrestricted	(2,062,657)	(2,051,973)
TOTAL NET POSITION	<u>9,670,494</u>	<u>10,691,649</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 32,653,561</u>	<u>\$ 34,317,807</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Tipping Fees	\$ 11,971,781	\$ 12,356,134
Energy Revenues	2,676,884	3,173,765
Interest Income	5,037	5,330
Total Operating Revenues	<u>14,653,702</u>	<u>15,535,229</u>
Operating Expenses:		
Disposal Fees	2,131,108	2,173,728
Service Fees	9,758,041	10,923,869
Administrative Expenses	1,858,652	1,970,130
Interest Expense	696,388	742,637
Depreciation	1,939,820	2,189,940
Total Operating Expenses	<u>16,384,009</u>	<u>18,000,304</u>
Operating (Loss)	<u>(1,730,307)</u>	<u>(2,465,075)</u>
Non-Operating Revenues:		
Net Service Fees	690,652	999,439
Other Income	-	119,350
Total Non-Operating Revenues	<u>690,652</u>	<u>1,118,789</u>
Change in Net Position	<u>(1,039,655)</u>	<u>(1,346,286)</u>
Net Position, January 1, as originally stated	10,691,649	12,037,935
Implementation of GASB 68 Adjustment	<u>18,500</u>	<u>-</u>
Net Position, January 1, as restated	<u>10,710,149</u>	<u>12,037,935</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 9,670,494</u>	<u>\$ 10,691,649</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 14,809,463	\$ 15,373,550
Payments to suppliers	(13,226,919)	(13,983,138)
Payments to employees and benefits	(267,728)	(236,700)
Interest received	5,037	5,330
Net cash provided by operating activities	<u>1,319,853</u>	<u>1,159,042</u>
Cash Flows from Non-capital Financing Activities		
Net service fee received	<u>105,543</u>	<u>810,019</u>
Net cash provided by non-capital financing activities	<u>105,543</u>	<u>810,019</u>
Cash Flows from Capital and Related financing Activities		
Purchase of capital assets	-	(8,498)
Allocation to debt service reserve restricted cash	-	(1,021,936)
Principal paid on capital debt	(925,000)	(3,595,000)
Interest paid on capital debt	(719,513)	(840,601)
Net cash (used) by capital and related financing activities	<u>(1,644,513)</u>	<u>(5,466,035)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(219,117)</u>	<u>(3,496,974)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,563,341</u>	<u>10,060,315</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,344,224</u>	<u>\$ 6,563,341</u>
Presented as:		
Cash – Unrestricted	\$ 3,117,084	\$ 3,340,530
Cash – Restricted	<u>3,227,140</u>	<u>3,222,811</u>
Total	<u>\$ 6,344,224</u>	<u>\$ 6,563,341</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOW (CONT'D.)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Reconciliation of Operating (Loss) to Net Cash Provided		
By Operating Activities		
Operating Loss	\$ (1,730,307)	\$ (2,465,075)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,939,820	2,189,940
Amortization	-	-
Interest Expense	696,388	742,637
 Changes in Assets and Liabilities:		
Accounts Receivable	160,798	(275,699)
Other Operating Receivables	-	119,350
Prepaid Expenses	3,598	5,222
Deferred Outflows - Retirement System	(71,910)	-
Accounts Payable	16,625	6,143
Non-Capital-Related Accrued Expenses Payable	(1,525)	524,627
Net Employee Retirement System Liability	17,583	-
Post Employment Benefit Obligations	56,335	81,346
Due to Other Governments	232,448	230,551
 NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,319,853	\$ 1,159,042

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

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, as amended.

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 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, 2015 AND 2014

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, 2015 AND 2014

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

Use of Estimates

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes in order to conform with the presentation in the current year's financial statements.

Subsequent Events

The Agency has evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2015 through March 18, 2016, the date on which the financial statements were available to be issued.

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.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, the Agency had additional cash and cash equivalents and investments of approximately \$7,833,073 and \$8,052,159 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.

Risk Category B	<u>2015</u>	<u>2014</u>
Bank Balance	\$ 4,158,644	\$ 4,404,805
U.S. Government Money Market	<u>3,674,429</u>	<u>3,647,354</u>
Total Risk Category B	<u><u>\$ 7,833,073</u></u>	<u><u>\$ 8,052,159</u></u>

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, 2015 AND 2014

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, 2015 and 2014, the trustee reported the following restricted cash and cash equivalents and investments as follows:

	2015	2014
2007 Series		
Project Fund	\$ 512,246	\$ 512,194
Debt Service Reserve Fund	1,323,325	1,296,322
Current Restricted Funds	1,835,571	1,808,516
Reserve and Contingency Fund	167,154	167,138
Debt Service Reserve Fund	1,671,704	1,671,700
Non-Current Restricted Funds	1,838,858	1,838,838
Total 2007 Series	\$ 3,674,429	\$ 3,647,354

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, 2015 AND 2014

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 \$1,391,569 at December 31, 2015 and \$1,414,295 at December 31, 2014, and are included in Restricted Current Cash and Cash Equivalents.

Restricted Assets are summarized as follows:

Current- Restricted Assets	<u>2015</u>	<u>2014</u>
Series 2007	\$ 1,835,571	\$ 1,808,516
Energy Revenues and Debt Service Funds	<u>1,391,569</u>	<u>1,414,295</u>
Total Current - Restricted Assets	<u><u>\$ 3,227,140</u></u>	<u><u>\$ 3,222,811</u></u>
 Non-Current Restricted Assets		
Series 2007 Bonds	<u>\$ 1,838,858</u>	<u>\$ 1,838,838</u>
Total Non-Current - Restricted Assets	<u><u>\$ 1,838,858</u></u>	<u><u>\$ 1,838,838</u></u>

4. Property, Plant and Equipment

Activities involving Property, Plant and Equipment for the year ended December 31, 2015 are as follows:

	<u>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>2015</u>
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	63,774,179	-	-	63,774,179
Equipment	<u>192,671</u>	-	-	<u>192,671</u>
	64,484,441	-	-	64,484,441
Less: Accumulated Depreciation	<u>(40,588,963)</u>	<u>(1,956,272)</u>	-	<u>(42,545,235)</u>
Property, Plant, Equipment Net	<u><u>\$ 23,895,478</u></u>	<u><u>\$ (1,956,272)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,939,206</u></u>

Depreciation was recorded in the amount of \$1,926,968 and \$2,233,032 less amortization of deferred revenues associated with the funding of capital improvements of \$16,452 and \$43,092, resulting in \$1,910,516 and \$2,189,940 depreciation expense for the years ended 2015 and 2014, respectively.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014:

Interest Rate	Issue Date	Maturity Date	Outstanding December 31, 2015	Outstanding December 31, 2014
Serial Bonds				
5.00%	2007	2015	\$ -	\$ 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>15,215,000</u>	<u>16,140,000</u>
			<u>(975,000)</u>	<u>(925,000)</u>
Bonds Payable - Long Term			<u>\$ 14,240,000</u>	<u>\$ 15,215,000</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

5. Bonds Payable (Continued)

Annual Amortization and sinking fund requirements for Bonds Payable:

Year ended December 31,	Principal	Interest	Total
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	1,180,000	461,813	1,641,813
2021-2025	6,720,000	1,479,094	8,199,094
2026-2027	3,125,000	142,089	3,267,089
Totals	\$ 15,215,000	\$ 4,462,048	\$ 19,677,048

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, 2015 and 2014, these reserves exceeded their funding requirements.

6. Employee Retirement Systems

Pension Plan:

A. Plan Description

The Agency is required to participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan System (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide 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 Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its 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, NY 12244.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

6. Employee Benefit Plans (Continued)

B. Funding Policy

The Systems are generally noncontributory. Tiers I-IV are noncontributory after ten years of participation and tier V is required to contribute 3% of their salary, and tier VI is required to contribute a minimum of 3.5% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

The Agency is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$60,766, \$61,398, and \$76,705, respectively. The Agency's contributions made to the System were equal to 100% of the contributions required for those years.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Agency reported a liability of \$17,583 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2015, the Agency's proportion was .0005205 percent of the Employers' Retirement System liability which is the initial determination as this is the first year implementation of GASB 68, see Note 11.

For the year ended December 31, 2015, the Agency recognized pension expense of \$22,024. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 563	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	3,054	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,448	-
Employer contributions subsequent to the measurement date	62,345	-
Total	<u>\$ 90,410</u>	<u>\$ -</u>

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$62,345 reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 7,016
2017	\$ 7,016
2018	\$ 7,016
2019	\$ 7,016

Actuarial Assumptions

The total pension liability at March 31, 2015, was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014, valuation were as follows:

Inflation	2.7%
Salary increases - ERS	4.9%
Investment rate of return (net of investment expense, including inflation)	7.5%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return of the target asset allocation percentage and by adding expected inflation.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

6. Employee Benefit Plans (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (Continued)

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net ERS pension liability	\$ 117,197	\$ 17,583	\$ (66,516)

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2015, were as follows:

	Dollars in Thousands
	Employees' Retirement System
Employers' total pension liability	\$ 164,591,504
Plan net position	(161,213,259)
Employers' net pension liability	\$ 3,378,245
Ratio of plan net position to the employers' total pension liability	97.9%

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

7. Post-Employment Benefits

From an accrual accounting perspective, the cost of post-employment 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 Post-employment Benefits Other Than Pensions, the Agency recognizes the cost of post-employment 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, 2015 and 2014, is \$624,781 and \$568,446, respectively.

Benefit Obligation at Normal Cost

	2015	2014
Actuarial Accrued Liability (AAL)		
Retired and Active Employees	\$ 1,027,127	\$ 1,027,127
Unfunded actuarial accrued liability (UAAL)	\$ 1,027,127	\$ 1,027,127

Annual Required Contribution (ARC)

	2015	2014
Past Service Costs	Not Available	Not Available
Normal Costs	Not Available	Not Available
Annual Required Contribution (ARC)	\$ 116,331	\$ 112,943
Percent of annual OPEB cost contributed	48.7%	25.4%

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31	Cost	Cost Contributed	Obligation
12/31/2015	\$ 112,986	50.1%	\$ 624,781
12/31/2014	110,077	26.1%	568,446
12/31/2013	110,597	20.0%	487,100

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 four 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:

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

7. Post-Employment Benefits (Continued)

Plan Description (Continued)

<u>Years of Service</u>	<u>% Paid by Agency</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 Post-employment Benefit Cost

For the years ended December 31, 2015 and 2014, the Agency's OPEB cost (expense), before the consideration of current health insurance premiums of retirees, amounted to \$112,986 and \$112,943, 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.

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.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

7. Post-Employment Benefits (Continued)

In the December 31, 2015, 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 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.

The Agency has contracted to pay to the current operator \$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 processed tonnage for turbine generator maintenance fees, plus 25% of net 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 140,000 tons, 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. During 2015, the Agency caused to have delivered 154,966 tons, and 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 acceptable tons, meeting its guarantees.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

8. Commitments (Continued)

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, currently expiring January 1, 2018.

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

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 2014, the Agency renewed the contract for an additional year, through June 30, 2016.

9. Economic Dependency

As described in Note 10 – Related-Party Transactions, 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 yet been made for payment of 2015 fees due the Agency by the Legislature. For the years ended 2015 and 2014, respectively, the Agency recorded net service revenue of \$690,652 and \$999,439.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014

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 beginning July 2014. The Agency and the current Operator have agreed upon and accepted the 2015 annual reconciliation.

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 a 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 pertaining to liabilities due from the Agency, resulting from operations. The Agency has filed a counterclaim against the former operator. At the time of the financial statement date, this matter has not been resolved, despite of attempts at mediation.

11. Related-Party Transactions

As more fully described in **Note 8 - Economic Dependency**, Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$690,652 and \$999,439 during 2015 and 2014, respectively. At December 31, 2015 and December 31, 2014, respectively, the Agency was owed \$690,652 and \$105,543 by Dutchess County, reported as Due from Related Party.

During 2015 and 2014, the Agency participated in the health and dental insurance plan administered by Dutchess County and was charged \$140,624 and \$128,648, respectively.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2015 AND 2014**

12. Implementation of GASB 68

In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 2*. This Statement requires the recording of the Agency's proportional share of the collective net pension liability of the New York State & Local Retirement System. The Agency implemented this standard for the year ending December 31, 2015, the first year proportional share information was available. Therefore, no adjustments have been made to the December 31, 2014, financial statements. The substantive effects are summarized in the table below:

<u>Account Description</u>	<u>Change Due to GASB 68 Implementation</u>
Net Position, January 1 - Increase	18,500
Net Employee Retirement System Liability - Increase	17,583
Employee Retirement Benefits Expense - Increase	38,741
Deferred Outflows - Employee Retirement System - Increase	90,410

13. New Reporting Standards

In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. When implemented, this Statement will require the recording of the Agency's net OPEB liability. The Agency is required to implement this standard for the year ending December 31, 2018. The implementation of this standard is expected to have a substantive effect on the Agency's net position.

GASB has also issued Statements 69-74 and 76-80, 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, 2015**

The schedule of funding progress presents the results of OPEB valuations for the past three actuarial valuations for OPEB:

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2015	12/31/2014	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 282,986	362.96%
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%
12/31/2011	12/31/2011	\$ -	\$ 1,027,127	\$ 1,027,127	0%	\$ 333,459	308.02%
12/31/2010	8/1/2009	\$ -	\$ 701,700	\$ 701,700	0%	\$ 360,022	194.90%
12/31/2009	8/1/2009	\$ -	\$ 639,300	\$ 639,300	0%	\$ 376,763	169.68%

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF PROPORTIONAL SHARE
OF NET PENSION LIABILITY
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

March 31, 2015

Agency's proportion of the net pension liability (asset)	0.00052050%
Agency's proportionate share of the net pension liability (asset)	\$ 17,583
Agency's covered-employee payroll	\$ 269,736
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.52%
Agency plan fiduciary net position as a percentage of the total pension liability	97.90%

*The amounts presented for each fiscal year were determined as of the System's measurement date

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2015**

NYSLRS Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	<u>March 31, 2015</u>
Contractually required contribution	\$ 56,026
Contributions in relation to the contractually required contribution	<u>\$ 56,026</u>
Contribution deficiency (excess)	<u>\$ -</u>
Agency's covered-employee payroll	\$ 269,736
Contributions as a percentage of covered-employee payroll	20.77%

*The amounts presented for each fiscal year were determined as of the fiscal year end

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.