

**ULSTER COUNTY RESOURCE RECOVERY  
AGENCY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**



**Teal, Becker & Chiamonte™**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Ulster County Resource Recovery Agency

# Year in Review 2014-2015

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To The Board of Directors  
Ulster County Resource Recovery Agency  
Kingston, New York

## **Independent Auditors' Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Ulster County Resource Recovery Agency, a component Unit of the County of Ulster (the Agency), as of and for the year ended December 31, 2015, 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***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors consider internal control relevant to the Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ulster County Resource Recovery Agency, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 pension information on pages 3 through 14 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Paul Becker & Charamonte CPAs PC*

Albany, New York  
March 29, 2016

## What is the Agency?

In 1986, the Ulster County Legislature obtained authorization from the State Legislature for the creation of the Ulster County Resource Recovery Agency (the "Agency"), a public benefit corporation which was formed for the purpose of developing, financing, and implementing a comprehensive countywide solid waste management program. In the mid-1980's, after new initiatives to close non-complying existing landfills were undertaken by the NYSDEC and strict requirements for the siting, construction, and operation of new disposal facilities were enacted, many communities found it beyond their financial and managerial capability to continue to dispose of waste in traditional ways. Consequently, many of the local municipalities in Ulster County requested that the Ulster County government assume the responsibility for solid waste management, and the Agency was created by the New York State Legislature pursuant to Chapter 936 of the Public Authorities Law approved December of 1986. The Agency's organizational structure consists of a five-member Board of Directors, an Executive Director, Agency Counsel, and thirty administrative and operations personnel.

### UCRRA's Mission

To protect public health and the environment and to promote sustainable materials management practices in Ulster County by efficiently managing solid waste materials with a focus on resource conservation.

## A Message from the Executive Director



### Board:

**Chairman** - Leon Smith

**Vice Chairman** - Catherine Nilsen

**Treasurer** - Charles Landi

**Member** - Dominic Tagliafierro

**Member** - David Gordon

### Staff:

**Executive Director** - Tim Rose, P.E.

**Agency Council** - Kenneth Gilligan, Esq.

**Controller** - Timothy DeGraff, C.P.A.

**Operations Manager** - Charlie Whittaker

**Compliance Officer** - Thomas Briggs

**Chief Accounting Clerk** - Amy Lopiano

**Recycling Coordinator** - Merlyn Akhtar

**Data Analyst** - Lisa Piratzky

**Administrative Assistant** - Melinda France

**Clerical Secretary** - Brenna Whitaker

First, I'd like to thank the Board of Directors for volunteering to serve on the Agency's Board. I'd especially like to thank former Chairman, Leon Smith who has decided not to serve on the Board after many years of distinguished service. For as long as I've been Executive Director, five years and five months, Mr. Smith has served on the Board and with the exception of the first two months of my tenure, he served as Chairman. The strength in the Agency's current Board lies in its diversity. Current members consist of individuals with backgrounds in law enforcement, academia, environmental law, facilities engineering and construction, and environmental health. In addition, several have held elected office and have served in the military. Second, I'd like to thank the staff for their unwavering commitment to serve the Agency and citizens of Ulster County. Their ability to come together and work as a team while under pressure to accomplish difficult tasks is unmatched.

2015 proved to be a very productive year for the Agency's recycling programs and in its solid waste operations which resulted in producing the positive results you will see in the following pages.

## Household Hazardous Waste & Pharmaceutical Program

In 2015, the Agency's three Household Hazardous Waste & Pharmaceutical Collections, offered for free to Ulster County residents, recovered the following quantities of hazardous waste and expired or unused medications from over 750 Ulster County households:

Product	Weight
Antifreeze	212 gal.
Automotive Batteries	925 lbs.
Pesticides (solid)	4,200 lbs.
Pesticides (liquid)	745 gal.
Fluorescent Bulbs	2,130 lbs.
Hazardous Paint	2,497 gal.
Hazardous Household Batteries	735 lbs.
Mercury-containing Devices	80 lbs.
Other HHW (solid)	5,713 lbs.
Other HHW (liquid)	1,664 gal.
Misc. Solid Waste	800 lbs.
Pharmaceuticals	780 lbs.

Cumulatively, the Agency's program helped prevent 5,118 gal. and 14,563 lbs. of hazardous materials from potentially being disposed of improperly and/or possibly ending up in a landfill.

## Recycling/Composting Program

- The Agency's Recycling Guide and Backyard Composting brochures for the public were updated and distributed to each of the 19 town transfer stations.
- The Agency accepted more food waste and sold more finished compost to the public than it ever has since the compost program's inception.
- In a joint effort to promote textile recycling, the Ulster County Volunteer Firefighter's Association placed two permanent textiles collection boxes at the Agency's Ulster and New Paltz facilities.
- A new Recycling Coordinator was hired in July and started work with the Agency in late August.

## Communications & Public Outreach

- MSW Management Magazine, a national publication and journal for municipal solid waste professionals, interviewed the Agency for an article on public awareness/outreach recycling across the country; it was featured in their July issue.
- For Earth Day 2015, the Agency participated in local school and community events, including: Kerhonkson Elementary School, Girl Scouts' tour of UCRRA facility, Phoenicia Elementary School Earth Day Celebration, and a Compost Workshop with Cornell Cooperative Extension.
- Also as part of Earth Day 2015, the Agency partnered with NYSDEC Region 3 and the Town of New Paltz to host a "ReClothe NY" recycling collection event at New Paltz Village Hall on April 25<sup>th</sup>. More than 2,000 pounds of used clothing and other household textiles were collected. Some items were donated to local charities, and the rest was recycled into rags and carpet backing.
- The Agency started partnering with the Hudson Valley Regional Council, Dutchess County Resource Recovery Agency, and Recovering Leftover Cuisine to work on a joint outreach program, Food Waste Prevention and Awareness in Dutchess and Ulster County. The program is being funded by a Community Grant from the New York State Pollution Prevention Institute.

## Ulster and New Paltz Transfer Stations and Agency Closed Landfills

- In keeping with the Agency's safety and security initiatives, a fence was installed around the leachate tanks at the New Paltz landfill and around the New Paltz landfill pump station. Alarms and automated texting were added to the leachate tanks at both the Ulster landfill and New Paltz landfill to help ensure no leachate would be released to secondary containment. Additionally, electrical upgrades were completed at the New Paltz landfill.
- 32 security cameras were installed that record various areas around the Ulster Transfer Station, New Paltz Transfer Station, MRF, VMF, and administrative office.
- Two major floor repairs were completed within the Ulster Transfer Station. By performing the work in-house, the Agency was able to save tens of thousands of dollars by not hiring an outside contractor.
- The first 20-year agreement between the Agency and 19 Ulster County municipalities to provide roll-off service to their Municipal Recycling Drop-off Centers expired a couple of years ago. This past year's negotiations between the Agency and the municipalities resulted in 15 of the original 19 municipalities to re-enter into another agreement, this time a 5-year agreement.

Sincerely,

Timothy B. Rose, P.E., BCEE, QEP, M.P.A.  
Executive Director  
Ulster County Resource Recovery Agency

# Overview of the Financial Statements

## Statements of Net Position

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

## Condensed Statements of Net Position

	2015	2014
<b>Assets:</b>		
Assets, other than capital assets	9,718,353	8,619,560
Capital assets	<u>9,326,438</u>	<u>9,380,270</u>
Total assets:	<u>19,044,791</u>	<u>17,999,830</u>
Deferred outflows of resources	<u>429,697</u>	<u>119,583</u>
<b>Liabilities:</b>		
Current liabilities	3,660,057	3,768,026
Long-term liabilities	<u>13,568,423</u>	<u>15,785,332</u>
Total liabilities:	<u>17,228,480</u>	<u>19,553,358</u>
Deferred inflows of resources	81,168	
<b>Net position (deficit):</b>		
Investments in capital assets	9,326,438	9,380,270
Unrestricted	(10,653,519)	(14,136,974)
Restricted	<u>3,491,921</u>	<u>3,322,759</u>
Total net position:	<u>2,164,480</u>	<u>(1,433,945)</u>

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

Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of revenue, expenses and changes in net position. The purpose of the statement is to present the revenue received by the Agency, both operating and 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.

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

	2015	2014
Revenue:		
Operating Revenue	13,994,484	14,127,486
Non-Operating Revenue	<u>212,347</u>	<u>244,389</u>
Total revenue:	<u>14,206,831</u>	<u>14,371,875</u>
Expenses:		
Operating Expenses	10,128,964	11,501,949
Non-Operating Expenses	<u>325,398</u>	<u>413,791</u>
Total expenses:	<u>10,454,362</u>	<u>11,915,740</u>
Increase in net position	3,752,469	2,456,135
Reduction in estimated liability for landfill		
	205,842	738,960
Net position (deficit):		
Beginning of year	(1,433,945)	(4,629,040)
Restatement of beginning balance	<u>(359,526)</u>	<u>-</u>
Net position—beginning of year		
- restated	<u>(1,793,471)</u>	<u>-</u>
End Of Year	<u>2,164,840</u>	<u>(1,433,945)</u>

Revenue  
Decreased  
**1.1%**

Expenses  
Decreased  
**11.5%**

## Statements of Cash Flows

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

## Condensed Statements of Cash Flows

	2015	2014
Net cash provided by operating activities	3,855,330	3,121,118
Net cash used in capital and related financing activities	(2,861,573)	(3,205,561)
Net cash provided by investing activities	<u>117,176</u>	<u>115,450</u>
Net increase in cash and equivalents	1,110,933	31,007
Cash and equivalents at beginning of year	<u>4,162,434</u>	<u>4,131,427</u>
Cash and equivalents at end of year	<u>5,273,367</u>	<u>4,162,434</u>



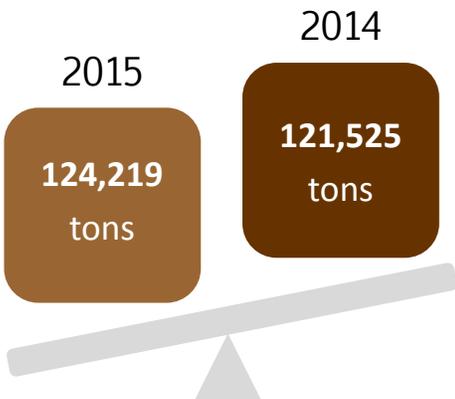
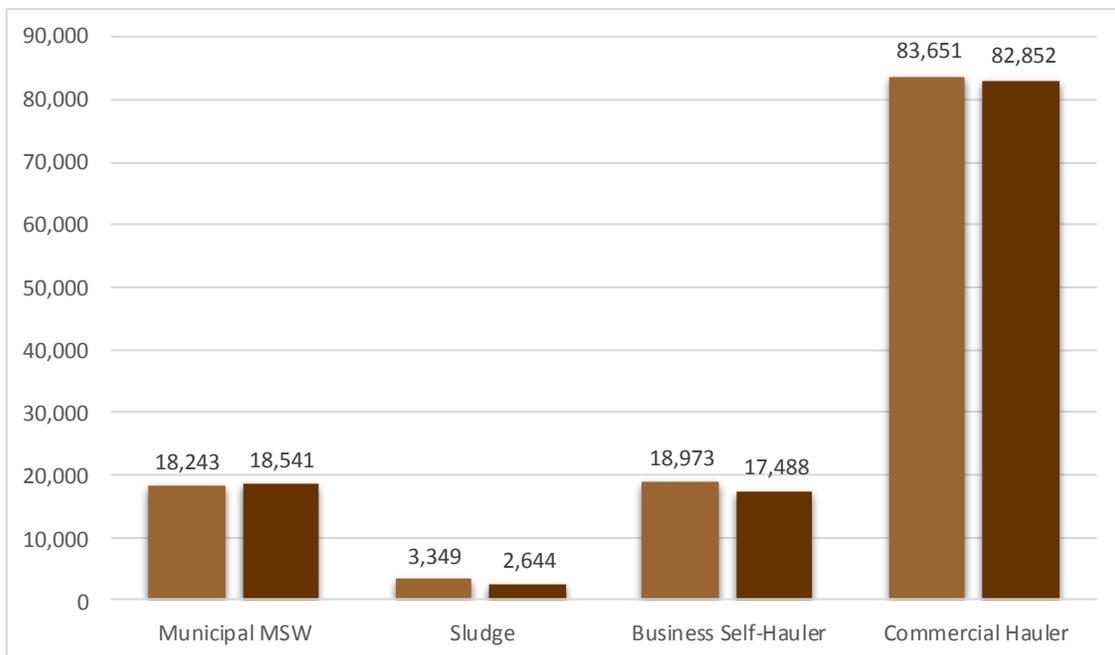
## Financial Highlights

The Agency's net position improved by \$3.6 million, from \$(1.4) million at December 31, 2014 to \$2.2 million at December 31, 2015.

Total revenue in 2015 reflects a \$200,000 decrease from the previous year to \$14.2 million. During 2015, the Agency experienced an increase in volume and an increase in solid waste service fees, but this was offset due to a decrease in revenues from fuel surcharge and the sale of recyclables.

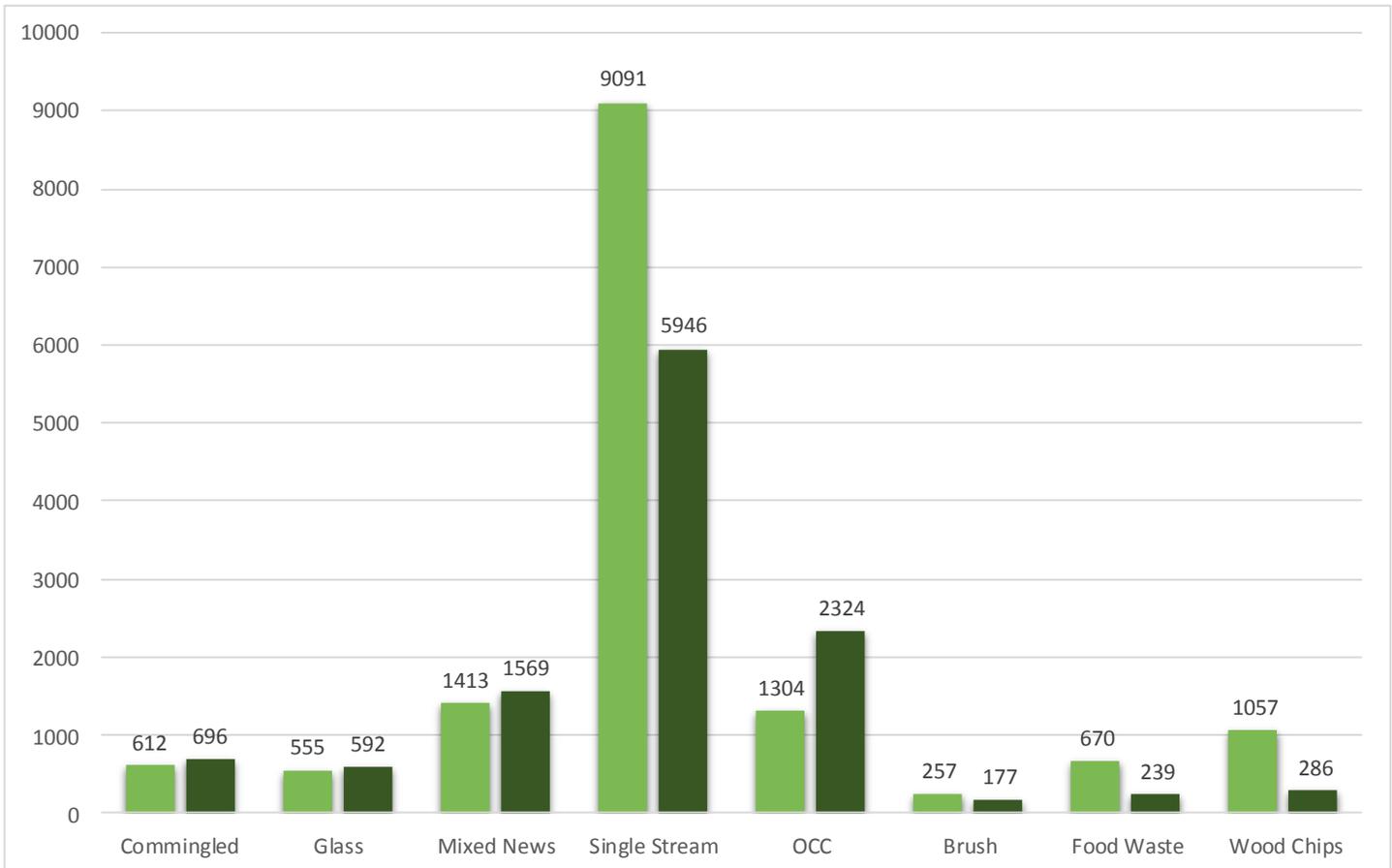
Total expenses in 2015 amounted to \$10.5 million, a \$1.4 million decrease from 2014. The Agency realized a large decrease in fuel costs, and a decrease in disposal costs.

### Waste



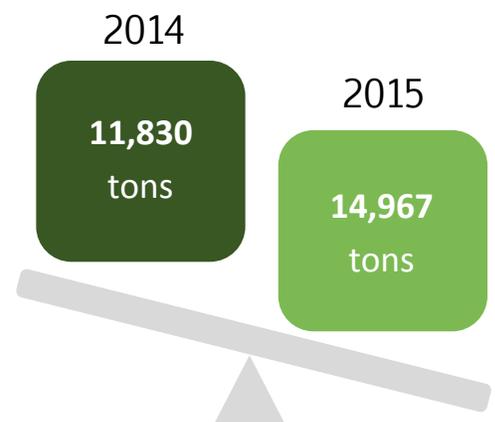
Waste volume increased 2.2% from the prior year. Predicting waste volume can be very difficult from year to year, but the implementation of Flow Control has allowed for less unpredictability. An increase in volume led to an increase in solid waste service fee revenues for the Agency in 2015.

## Recycling



Dual stream recycling volume delivered to the Agency has continued on a downward trend due to increases in Single Stream Recycling (“SSR”) by commercial haulers and in the City of Kingston. SSR volume has increased, which in turn has decreased all other forms of recycling. This trend also impacts recycling sales, as SSR market prices are much lower than its dual stream counterpart. As the 2015 fiscal year was concluding, SSR market prices were trending toward becoming an expense to the Agency.

The anticipated changes noted above led the Agency to shift operations to its composting program. This planned change saw effective increases in food waste and related sales of processed compost. The Agency expects to increase its composting revenues in the years to come.



## How We Calculate Our Tipping Fee

The Agency calculates its annual tipping fee rate/ton with the expectation to, at minimum, break even. The following chart breaks down the 2016 approved tipping fee rate with relation to its major cost categories. A closer examination of these costs compared to 2015 shows small decreases in debt service, insurance, and capital outlay costs that equate to \$3/ton. However, the substantial decreases in sale of recyclables due to the switch to Single Stream Recycling completely offset these decreases. The result was a flat tip fee of \$103/ton from 2015 to 2016.



### \*Other

Capital Outlay: \$6

Host Community Benefit: \$1

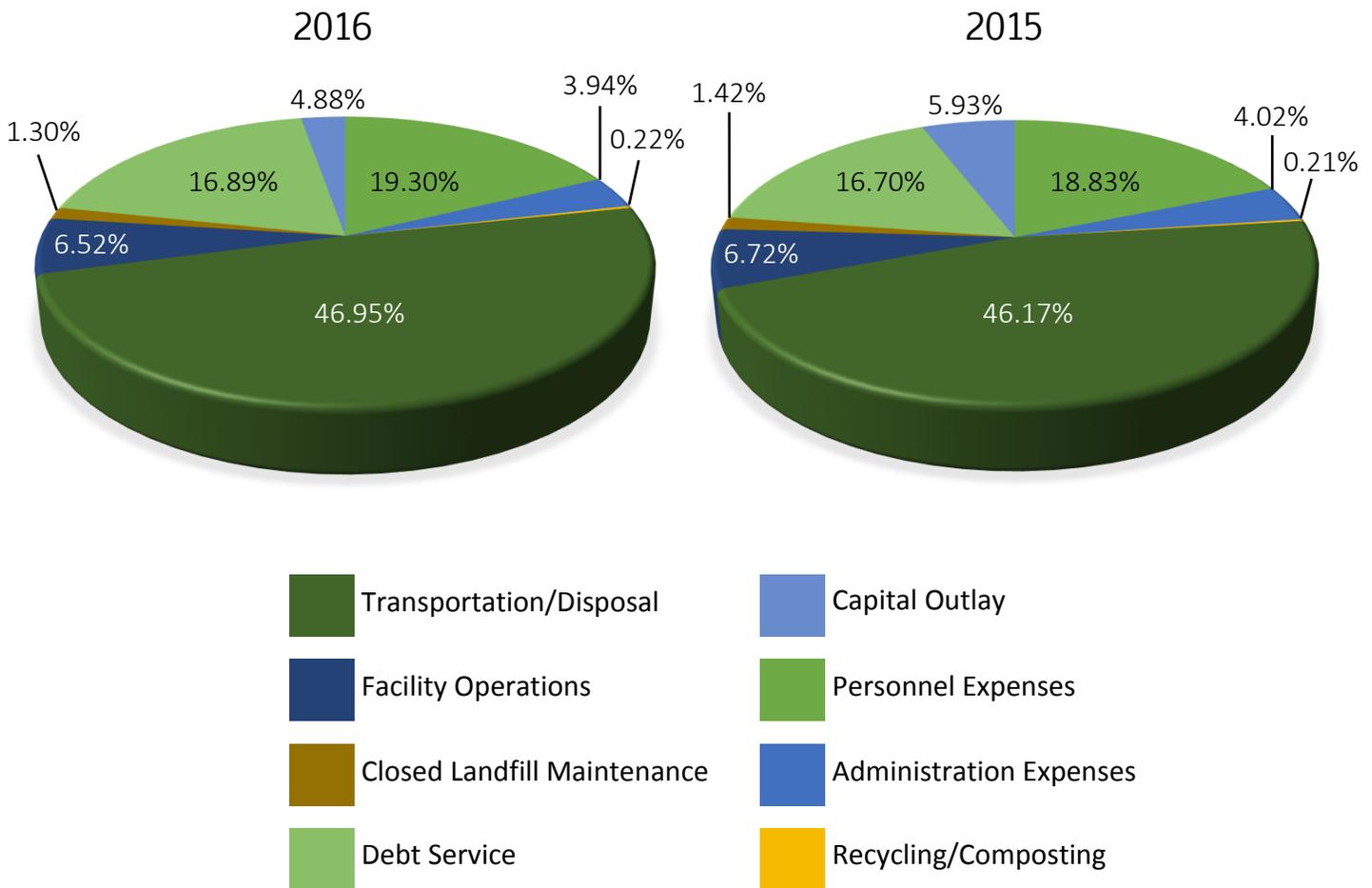
Closed Landfill Maintenance/Monitoring: \$2

Transfer Station Costs: \$2

Insurance: \$2

## Budget

The Agency completed a very successful 2015 and anticipates consistent results in the upcoming year. The Agency's budget is highly contingent on volume received at the Agency's two regional transfer stations. Over 80% of Agency costs are tied to contractual agreements, making the budgeting of these items less susceptible to high variances with the actual results when volume is consistent. The implementation of Flow Control has allowed for consistent volume and more precise budgeting. The Agency currently has separate five year agreements for transportation and disposal of waste. Based on these major cost certainties and the revenue consistency associated with Flow Control, the Agency is expecting tipping fees to remain static over the next four years.



## Additional Information

The report is compiled for the use of the Agency's Governing Board, management, appropriate officials of the County of Ulster and State of New York, and members of the public interested in the Agency's affairs. Questions with regard to this financial report or requests for additional information may be addressed to the Controller, Ulster County Resource Recovery Agency, P.O. Box 6219, 999 Flatbush Road, Kingston, New York 12402.

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Statements Of Net Position

December 31

<b>Assets</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current assets:		
Cash and equivalents	\$ 5,273,367	\$ 4,162,434
Investments	2,542,949	2,542,949
Receivables, net of allowance of \$300 in 2015 and \$41,500 in 2014	1,440,185	1,423,694
Accrued interest	38,677	38,674
Prepaid expense	423,175	451,809
Total current assets	<u>9,718,353</u>	<u>8,619,560</u>
Capital assets, net	<u>9,326,438</u>	<u>9,380,270</u>
Total assets	<u><u>\$ 19,044,791</u></u>	<u><u>\$ 17,999,830</u></u>
<b>Deferred Outflows of Resources</b>		
Unamortized loss on bond defeasement	\$ 85,417	\$ 119,583
Pension - Employees' Retirement System, gross	344,280	-
Total Deferred Outflows of Resources	<u><u>\$ 429,697</u></u>	<u><u>\$ 119,583</u></u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 499,179	\$ 660,083
Accrued interest	79,160	101,062
Host community benefits payable	14,613	13,927
Customer advances	12,800	5,800
Other payables	29,738	79,531
Current installments of long-term debt	2,247,327	2,142,112
Current installment of long-term pension	34,807	32,229
Current portion of landfill post closure care costs	187,136	201,839
Current portion of workers' compensation assessment	10,512	10,512
Compensated absences	544,785	520,931
Total current liabilities	<u>3,660,057</u>	<u>3,768,026</u>
Long-term debt, excluding current installments, net of premium	10,209,349	12,272,317
Long-term pension, excluding current portion	808,067	842,874
Landfill post closure care costs, excluding current portion	2,245,632	2,623,907
Workers' compensation assessment, excluding current portion	36,598	46,234
Net pension liability - proportionate share - Employees' Retirement System	268,777	-
Total liabilities	<u><u>\$ 17,228,480</u></u>	<u><u>\$ 19,553,358</u></u>
<b>Deferred Inflows of Resources</b>		
Pension - Employees' Retirement System, gross	<u><u>\$ 81,168</u></u>	<u><u>\$ -</u></u>
Net position (deficit):		
Investments in capital assets	\$ 9,326,438	\$ 9,380,270
Restricted for:		
Landfill closure	96,145	96,145
Debt repayment	3,395,776	3,226,614
Unrestricted (deficit)	<u>(10,653,519)</u>	<u>(14,136,974)</u>
<b>Total Net Position (Deficit)</b>	<u><u>\$ 2,164,840</u></u>	<u><u>\$ (1,433,945)</u></u>

The accompanying notes are an integral part of these financial statements

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Statements Of Revenue, Expenses, And Changes In Net Position

For The Years Ended December 31

	<u>2015</u>	<u>2014</u>
<b>Operating revenue:</b>		
Charges for sales and services:		
Sales of recyclable materials	\$ 343,459	\$ 646,276
Solid waste service fees	13,583,309	13,401,107
Other revenue	<u>67,716</u>	<u>80,103</u>
Total operating revenue	<u>13,994,484</u>	<u>14,127,486</u>
<b>Operating expenses:</b>		
Costs of sales and services	6,903,327	7,859,478
Salaries and wages	1,643,282	1,618,265
Administration	561,122	586,425
Depreciation	520,321	552,000
Benefits	<u>500,912</u>	<u>885,781</u>
Total operating expenses	<u>10,128,964</u>	<u>11,501,949</u>
<b>Operating income</b>	<u>3,865,520</u>	<u>2,625,537</u>
<b>Nonoperating revenue (expenses):</b>		
Investment income	117,179	115,450
Gain (loss) on disposal of assets	56,279	(7,882)
Grant revenue	38,889	128,939
Interest expense	<u>(325,398)</u>	<u>(405,909)</u>
Total nonoperating expenses	<u>(113,051)</u>	<u>(169,402)</u>
<b>Increase in net position</b>	3,752,469	2,456,135
<b>Decrease in estimated liability for landfill post closure care costs</b>	205,842	738,960
<b>Net deficit:</b>		
Beginning of year	(1,433,945)	(4,629,040)
Restatement of beginning balance due to change in accounting principle	<u>(359,526)</u>	<u>-</u>
Total net position - beginning of year, as restated	<u>(1,793,471)</u>	<u>(4,629,040)</u>
<b>End Of Year</b>	<u>\$ 2,164,840</u>	<u>\$ (1,433,945)</u>

The accompanying notes are an integral part of these financial statements

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Statements Of Cash Flows

For The Years Ended December 31

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Receipts from services	\$ 13,984,993	\$ 14,130,748
Payments to suppliers	(7,620,522)	(8,542,822)
Payment to employees	<u>(2,509,141)</u>	<u>(2,466,808)</u>
Net cash provided by operating activities	<u>3,855,330</u>	<u>3,121,118</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(191,956)	(191,208)
Proceeds from disposal of assets	15,857	-
Grant revenue	38,889	128,939
Landfill post closure care costs	(187,136)	(201,839)
Principal paid on long-term debt	(2,191,864)	(2,525,915)
Principal paid on long-term pension	(32,229)	(29,842)
Interest paid on long-term obligations	<u>(313,134)</u>	<u>(385,696)</u>
Net cash used in capital and related financing activities	<u>(2,861,573)</u>	<u>(3,205,561)</u>
<b>Cash flows from investing activities - investment income received</b>	<u>117,176</u>	<u>115,450</u>
<b>Net increase in cash and equivalents</b>	1,110,933	31,007
<b>Cash and equivalents at beginning of year</b>	<u>4,162,434</u>	<u>4,131,427</u>
<b>Cash and equivalents at end of year</b>	<u><u>\$ 5,273,367</u></u>	<u><u>\$ 4,162,434</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 3,865,520	\$ 2,625,537
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	520,321	552,000
Changes in:		
Receivables	(16,491)	1,662
Prepaid expenses	28,634	(109,310)
Accounts payable and other payables	(210,011)	10,691
Workers' compensation assessment	(9,636)	(10,512)
Customer Advances	7,000	1,600
Compensated absences	23,854	49,450
Pension Liabilities	<u>(353,861)</u>	<u>-</u>
<b>Net Cash Provided By Operating Activities</b>	<u><u>\$ 3,855,330</u></u>	<u><u>\$ 3,121,118</u></u>

The accompanying notes are an integral part of these financial statements

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements

### **(1) Organization**

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

### **(2) Summary of Significant Accounting Policies**

#### **(a) Financial Reporting Entity**

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

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

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

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

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

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

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

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

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

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

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

#### **(b) Basis of Accounting**

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

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

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

#### **(c) Budgetary Policies**

The budget policies are as follows:

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

#### **(d) Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include those assumed in calculating the landfill post closure care cost liability. Accordingly, actual results could differ from those estimates.

#### **(e) Cash and Equivalents**

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

#### **(f) Receivables and Allowance for Doubtful Accounts**

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

#### **(g) Capital Assets**

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

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

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

#### **(h) Interfund Transfers**

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

#### **(i) Net Position**

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

#### **(j) Advertising Costs**

Advertising costs are expensed as incurred.

#### **(k) Subsequent Events**

The Agency has evaluated events after December 31, 2015, and through March 29, 2016, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(3) Cash Equivalents and Investments**

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

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

At December 31, 2015, the Agency's cash equivalents and investment balances were as follows:

	<b>Category</b>			<b>Reported Amount/ Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
Cash and equivalents	\$3,640,533	\$1,632,834	\$ -	\$5,273,367
Investments	<u>-</u>	<u>2,542,949</u>	<u>-</u>	<u>2,542,949</u>
<b>Total</b>	<u>\$3,640,533</u>	<u>\$4,175,783</u>	<u>\$ -</u>	<u>\$7,816,316</u>

At December 31, 2014, the Agency's cash equivalents and investment balances were as follows:

	<b>Category</b>			<b>Reported Amount/ Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
Cash and equivalents	\$2,644,128	\$1,518,306	\$ -	\$4,162,434
Investments	<u>-</u>	<u>2,542,949</u>	<u>-</u>	<u>2,542,949</u>
<b>Total</b>	<u>\$2,644,128</u>	<u>\$4,061,255</u>	<u>\$ -</u>	<u>\$6,705,383</u>

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(4) Capital Assets**

Capital asset activity for the years ended December 31 is as follows:

	<b>2015</b>			
	<b><u>Beginning</u></b>			<b><u>Ending</u></b>
	<b><u>Balances</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balances</u></b>
Land	\$ 683,172	\$ -	\$ -	\$ 683,172
Buildings	10,577,587	77,101	-	10,654,688
Machinery and equipment	3,536,587	360,063	(341,208)	3,555,442
Trailers	552,655	-	-	552,655
Computers	47,281	-	-	47,281
Software	39,536	-	-	39,536
Vehicles	1,328,238	34,238	-	1,362,476
Furniture and fixtures	74,655	-	-	74,655
Infrastructure	19,751	2,665	-	22,416
Construction-in-process	<u>74,191</u>	<u>-</u>	<u>-</u>	<u>74,191</u>
Total capital assets	<u>16,933,653</u>	<u>474,067</u>	<u>(341,208)</u>	<u>17,066,512</u>
Less accumulated depreciation and amortization:				
Buildings	2,917,855	277,125	-	3,194,980
Machinery and equipment	2,854,862	188,479	(333,630)	2,709,711
Trailers	395,627	23,765	-	419,392
Computers	24,851	7,085	-	31,936
Software	33,625	4,327	-	37,952
Vehicles	1,266,175	15,755	-	1,281,930
Furniture and fixtures	57,984	2,730	-	60,714
Infrastructure	<u>2,404</u>	<u>1,055</u>	<u>-</u>	<u>3,459</u>
Total accumulated depreciation and amortization	<u>7,553,383</u>	<u>520,321</u>	<u>(333,630)</u>	<u>7,740,074</u>
<b>Capital Assets, Net</b>	<b><u>\$ 9,380,270</u></b>	<b><u>\$ (46,254)</u></b>	<b><u>\$ (7,578)</u></b>	<b><u>\$9,326,438</u></b>

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(4) Capital Assets (Continued)**

	<b>2014</b>			
	<b><u>Beginning</u></b>			<b><u>Ending</u></b>
	<b><u>Balances</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balances</u></b>
Land	\$ 683,172	\$ -	\$ -	\$ 683,172
Buildings	10,546,174	31,413	-	10,577,587
Machinery and equipment	3,447,147	115,605	(26,165)	3,536,587
Trailers	532,277	20,378	-	552,655
Computers	52,329	16,238	(21,286)	47,281
Software	36,368	3,168	-	39,536
Vehicles	1,328,238	-	-	1,328,238
Furniture and fixtures	74,967	3,006	(3,318)	74,655
Infrastructure	18,351	1,400	-	19,751
Construction-in-process	<u>80,956</u>	<u>-</u>	<u>(6,765)</u>	<u>74,191</u>
Total capital assets	<u>16,799,979</u>	<u>191,208</u>	<u>(57,534)</u>	<u>16,933,653</u>
Less accumulated depreciation and amortization:				
Buildings	2,630,383	287,472	-	2,917,855
Machinery and equipment	2,678,191	202,124	(25,453)	2,854,862
Trailers	373,135	22,492	-	395,627
Computers	38,919	6,813	(20,881)	24,851
Software	26,557	7,068	-	33,625
Vehicles	1,243,677	22,498	-	1,266,175
Furniture and fixtures	58,722	2,580	(3,318)	57,984
Infrastructure	<u>1,451</u>	<u>953</u>	<u>-</u>	<u>2,404</u>
Total accumulated depreciation and amortization	<u>7,051,035</u>	<u>552,000</u>	<u>(49,652)</u>	<u>7,553,383</u>
<b>Capital Assets, Net</b>	<u>\$9,748,944</u>	<u>\$ (360,792)</u>	<u>\$ (7,882)</u>	<u>\$9,380,270</u>

**(5) Deferred Outflow of Resources**

As of December 31, 2015 the Agency had deferred outflows of resources amounting to \$85,417 related to the unamortized loss on defeasement recognized in 2015 in connection with the advance refunding of a portion of the 2002 Serial Bonds.

In addition, the Agency had deferred outflows of resources amounting to \$344,280 at December 31, 2015 related to the NYS Employees' Retirement System. See Note (6).

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

### **(6) Retirement Plan**

#### **(a) Plan Description and Benefits Provided**

The Agency is a participant in the New York State and Local Retirement System (the System). Employees had the option to buy past service credits with the retirement system at no cost to the Agency. This is a cost sharing multiple public employer cost-sharing retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976 and prior to January 1, 2010, who have less than ten years of service or membership, are required to contribute 3% of their salary throughout their active membership. Employees who joined on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% throughout their active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31st. Employer contribution rates ranged from 10.5% to 18.8% of salaries for the year ended December 31, 2015 and 10.9% to 20.3% of salaries for the year ended December 31, 2014. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

2015	\$391,230
2014	389,080
2013	385,798

Participating employers are required to make payments on a current basis, while amortizing existing unpaid amounts relating to the fiscal years when the local employer opts to participate in the program. The total unpaid liability as of December 31, 2015 and 2014 was \$842,874 and \$875,103, respectively.

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(6) Retirement Plan (Continued)**

(b) 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 \$268,777 for its proportionate share of the net pension liability. 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 0.0079561 percent.

For the year ended December 31, 2015, the Agency recognized pension benefit of \$65,405. At December 31, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 8,604	\$ -
Net difference between projected and actual earnings on Plan investments	46,683	
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions		81,168
Agency's contributions subsequent to the measurement date	<u>288,993</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 344,280</u></b>	<b><u>\$ 81,168</u></b>

Agency contributions subsequent to the measurement date will be recognized as a reduction of 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	\$ (6,470)
2017	(6,470)
2018	(6,470)
2019	(6,470)

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

### **(6) Retirement Plan (Continued)**

#### (c) Actuarial Assumptions

The total pension liability as of the measurement date 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:

Interest rate	7.5%
Salary scale	4.9% Average
Decrement tables	April 1, 2005 – March 31, 2010 System's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2011 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 by the target asset allocation percentage and by adding expected inflation. 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:

#### Long Term Expected Rate of Return 2015

Asset Type	Long Term Expected Real Rate
Domestic Equity	7.30%
International Equity	8.55%
Private Equity	11.00%
Real Estate	8.25%
Absolute Return	6.75%
Opportunistic Portfolio	8.60%
Real Asset	8.65%
Bonds & Mortgages	4.00%
Cash	2.25%
Inflation Indexed Bonds	4.00%

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(6) Retirement Plan (Continued)**

(d) 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 the 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.

(e) 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 asset/(liability) would be if it were calculated using a discount rate that 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Assumption <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ <u>(1,791,515)</u>	\$ <u>(268,777)</u>	\$ <u>1,016,791</u>

(f) Pension Plan Fiduciary Net Position

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

	<b>(Dollars in Millions)</b>
	<b>Employees</b>
	<b><u>Retirement System</u></b>
Employers' total pension liability	\$ (164,592)
Plan net position	<u>161,213</u>
Employers' net pension asset/(liability)	\$ <u><u>(3,379)</u></u>
Ratio of plan net position to the Employers' total pension asset/(liability)	97.95%

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

### **(6) Retirement Plan (Continued)**

#### **(g) Restatement of Net Position**

For the fiscal year ended December 31, 2015, the Agency implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions-Amendment to GASB Statement No. 27. The implementation of Statement No. 68 resulted on the reporting of an asset, deferred outflow of resources, liability, and deferred inflow of resources related to the Agency's participation in the New York State Employees' Retirement System. The Agency's net position at the beginning of 2015 has been restated as follows:

Net position (deficit) beginning of year, as previously stated	\$(1,433,945)
GASB Statement No. 68 implementation:	
Beginning System liability	<u>(359,526)</u>
<b>Net Position, Beginning of Year, As Restated</b>	<b><u>\$(1,793,471)</u></b>

System liability information for 2014 is unavailable. Therefore, the prior year has not been restated.

### **(7) Long-Term Debt**

Long-term debt at December 31, 2015 and 2014 consists of the following:

#### **(a) Long-Term Debt**

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

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(7) Long-Term Debt (Continued)**

(b) Changes

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

	<b>2015</b>				
	<b>Balances</b>			<b>Balances</b>	<b>Due Within</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31</b>	<b>One Year</b>
Term notes	\$ 410,000	\$ -	\$ 135,000	\$ 275,000	\$ 135,000
Term bonds	749,990	-	270,000	479,990	275,000
Serial bonds	7,570,000	-	1,665,000	5,905,000	1,720,000
Capital appreciation bonds	5,448,755	-	-	5,448,755	-
Capital lease	<u>126,384</u>	<u>234,111</u>	<u>90,634</u>	<u>269,861</u>	<u>86,097</u>
Subtotal	14,305,129	234,111	2,160,634	12,378,606	2,216,097
Unamortized premium	<u>109,300</u>	<u>-</u>	<u>31,230</u>	<u>78,070</u>	<u>31,230</u>
<b>Total</b>	<b><u>\$14,414,429</u></b>	<b><u>\$ 234,111</u></b>	<b><u>\$2,191,864</u></b>	<b><u>\$12,456,676</u></b>	<b><u>\$ 2,247,327</u></b>

	<b>2014</b>				
	<b>Balances</b>			<b>Balances</b>	<b>Due Within</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31</b>	<b>One Year</b>
Term notes	\$ 540,000	\$ -	\$ (130,000)	\$ 410,000	\$ 135,000
Term bonds	1,464,990	-	(715,000)	749,990	270,000
Serial bonds	9,180,000	-	(1,610,000)	7,570,000	1,665,000
Capital appreciation bonds	5,448,755	-	-	5,448,755	-
Capital lease	<u>166,069</u>	<u>-</u>	<u>(39,685)</u>	<u>126,384</u>	<u>40,882</u>
Subtotal	16,799,814	-	(2,494,685)	14,305,129	2,110,882
Unamortized premium	<u>140,530</u>	<u>-</u>	<u>(31,230)</u>	<u>109,300</u>	<u>31,230</u>
<b>Total</b>	<b><u>\$16,940,344</u></b>	<b><u>\$ -</u></b>	<b><u>\$(2,525,915)</u></b>	<b><u>\$14,414,429</u></b>	<b><u>\$2,142,112</u></b>

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(7) Long-Term Debt (Continued)**

(c) Maturity

The following is a summary of maturity of indebtedness as of December 31, 2015:

<u>Description Of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding At 12/31/15</u>
Term bonds	12/30/1998	08/01/2016	2.23%	\$ 74,990
Term bonds	07/01/1999	03/01/2017	2.20%	405,000
Term note	05/01/2000	03/01/2017	2.82%	275,000
Serial bonds	12/18/2002	03/01/2018	3.75 - 5.25%	970,000
Serial bonds	07/21/2006	03/01/2021	4.50 - 5.00%	1,035,000
Serial bonds	05/25/2012	03/01/2018	2.00 - 3.00%	3,900,000
Capital appreciation bonds	12/18/2002	03/01/2025	4.96 - 5.29%	5,448,755
Capital lease	09/19/2013	09/19/2017	3.017%	85,502
Capital lease	03/23/2015	03/23/2019	3.13%	<u>184,359</u>
				12,378,606
Unamortized bond premium				<u>78,070</u>
<b>Total Long-Term Debt, Net</b>				<b>\$ <u>12,456,676</u></b>

The maturities of these issues as of December 31, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,216,097	\$ 210,528	\$ 2,426,625
2017	2,218,744	135,063	2,353,807
2018	1,896,778	62,799	1,959,577
2019	1,033,808	1,003,119	2,036,927
2020	946,538	1,041,637	1,988,175
2021 - 2025	<u>4,066,641</u>	<u>7,332,623</u>	<u>11,399,264</u>
	12,378,606	9,785,769	22,164,375
Unamortized bond premium	<u>78,070</u>	<u>-</u>	<u>78,070</u>
	<u>\$12,456,676</u>	<u>\$9,785,769</u>	<u>\$22,242,445</u>

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

(d) Advance Refunding of Debt

The Agency entered into agreements in prior years with M & T Bank (as escrow agent) for the advance refunding of bonds. The purpose of this advance refunding was to reduce aggregate debt service payments. M & T Bank is Trustee of the escrow funds paid to them by the Agency for the payment of the debt. The balances of the defeased bonds (2000 bond issue) not yet paid at December 31, 2015 amounted to \$440,000.

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

### **(7) Long-Term Debt (Continued)**

#### **(d) Advance Refunding of Debt, Continued**

The Agency entered into an agreement in 2012 with M & T Bank (as escrow agent) for the advance refunding of bonds. The purpose of this advance refunding was to reduce aggregate debt service payments. M & T Bank is Trustee of the escrow funds paid to them by the Agency for the payment of the debt. The balances of the defeased bonds (2002 refunded bonds) not yet paid at December 31, 2015 amounted to \$3,890,000.

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

### **(8) Customer Advances**

As of December 31, 2015 and 2014, the Agency had advances amounting to \$12,800 and \$5,800, respectively.

The December 31, 2015 and 2014 balances consist of payments received from customers in 2015 for their 2016 permits and payments received from customers in 2014 for their 2015 permits, respectively. The issuances of these permits began in February 2013 and were issued as part of the new countywide flow-control law.

### **(9) Unrestricted Net Deficit**

The Agency's unrestricted net deficit as of December 31 consists of the following:

	<b><u>2015</u></b>	<b><u>2014</u></b>
General unrestricted	\$ 4,235,925	\$ 3,103,201
Related to outstanding debt	(12,456,676)	(14,414,429)
Landfill post-closure care costs	<u>(2,432,768)</u>	<u>(2,825,746)</u>
	\$ <u>(10,653,519)</u>	\$ <u>(14,136,974)</u>

### **(10) Compensated Absences**

Employees of the Agency are entitled to reimbursement of unused sick and vacation time at the time of retirement or other termination of service. The Agency's policy is to accrue the cost of compensated absences as earned and vested by the Agency's employees. This amount is included as a payable in the accompanying statements of net position in the amount of \$544,785 and \$520,931 as of December 31, 2015 and 2014, respectively.

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Notes To Financial Statements, Continued

**(11) Contingencies**

Contingencies at December 31, 2015 consist of the following:

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

The Agency maintains insurance policies with commercial insurers. The Agency’s deductible for environmental liability insurance is \$100,000. Other deductibles for various policies range from \$1,000 to \$5,000 for each event.

**(b) Landfill Closure and Post-Closure Care Costs**

New York State and Federal laws required the Agency to place a final cover on its landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Agency is currently in the post-closure phase at each of the landfills. The post-closure period goes throughout the year 2028. In 2014, the annual post-closure monitoring and maintenance cost for all three landfills was \$201,839. In 2010, a study was initiated to analyze the projected costs. Current projections prepared by the Agency, of annual post-closure monitoring and maintenance costs for all three landfills, are \$187,136 for each of the remaining 13 years as follows:

	<b><u>Ulster Landfill</u></b>	<b><u>New Paltz Landfill</u></b>	<b><u>Lloyd Landfill</u></b>	<b><u>Total</u></b>
Environmental monitoring	\$ 7,650	\$ 5,765	\$ 7,090	\$ 20,505
Leachate disposal	64,425	80,100	-	144,525
Facility maintenance	<u>14,087</u>	<u>8,019</u>	-	<u>22,106</u>
Total annual cost	<u>\$86,162</u>	<u>\$ 93,884</u>	<u>\$ 7,090</u>	<u>\$187,136</u>

The liability for landfill post-closure care costs at December 31, 2015 consists of the following:

Total annual cost	\$ 187,136
Remaining years	<u>13</u>
Total liability	2,432,768
Less current portion	<u>(187,136)</u>
Landfill Post-Closure Care costs, Excluding Current Portion	<u>\$ 2,245,632</u>

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

### **(11) Contingencies (Continued)**

#### **(c) Workers' Compensation Assessment**

For the years 1999-2007, the Agency participated in a Workers' Compensation Trust that became inactive on December 31, 2008. The Trust has seen adverse claims development for the years in which the Agency was a member. Due to the continuation of these claims, the Trust's reserves were weakened and assessments have now been required. As a Member of the Trust, the Agency is legally obligated to meet this assessment demand as part of our joint and several liability agreements under the New York State Workers' Compensation Law, the Trust Agreement, and the Indemnity Agreement the Agency executed upon joining the Trust. The Agency's membership obligations exist until all claims of the Trust are liquidated or transferred to an insurance carrier. During 2013, a Memorandum of Understanding ("MOU") was drafted. The MOU was executed in 2014 and was originally in effect until July 1, 2015. In September, 2015, a rider to the MOU was executed, effectively extending the MOU until June 1, 2016. At the end of the MOU, it is expected that all obligations will be transferred to an insurance carrier and a settlement will be offered to all members. Agency obligations amounted to \$47,110 and \$56,746 as of December 31, 2015 and 2014, respectively.

#### **(d) Litigation**

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

### **(12) Concentrations of Credit Risk**

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

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Notes To Financial Statements, Continued

### **(13) Grant Revenue**

The Agency received grant revenue from two different sources for programs as follows:

(a) **Municipal Waste Reduction and Recycling Program**

This Program is funded by the New York State Department of Environmental Conservation's Environmental Protection Fund. In accordance with Ulster County's Mandatory Source Separation and Recycling Law, the Agency continues to develop its programs with regards to waste reduction and recycling education. Grant revenue received represents a 50% reimbursement of Agency disbursements with regards to operating this program. No funds were received for this program during the year ended December 31, 2015. The Agency received \$95,844 for this program during the year ended December 31, 2014.

(b) **Household Hazardous Waste State Assistance Program**

The Agency received grant revenue from Household Hazardous Waste State Assistance Program. This program is funded by the New York State Department of Environmental Conservation's Environmental Protection Fund. The Agency administers household hazardous waste events several times per year. This collection provides a safe disposal alternative for electronics, hazardous pesticides, solvents and other household chemicals to the residents of Ulster County. Grant revenue received represents a 50% reimbursement of Agency disbursements with regards to operating these events. The Agency received \$38,889 and \$33,055 for this program during the years ended December 31, 2015 and 2014, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ULSTER COUNTY RESOURCE RECOVERY AGENCY**

Schedule Of Ulster County Resource Recovery Agency's (UCRRA) Contributions

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

	<u>2015*</u>
Contractually required contribution	\$ 288,993
Contributions in relation to the contractually required contribution	<u>288,993</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
UCRRA's covered-employee payroll	\$ 1,512,837
Contributions as a percentage of covered-employee payroll	19.10%

\* The amounts presented for the fiscal year were determined as of the measurement date March 31

See paragraph on supplementary schedules included in independent auditors' report

# ULSTER COUNTY RESOURCE RECOVERY AGENCY

## Schedule Of Ulster County Resource Recovery Agency's (UCRRA) Proportionate Share Of The Net Pension Liability

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

	<u>2015*</u>
UCRRA's proportion of the net pension (liability) asset	0.0079561%
UCRRA's proportionate share of the net pension (liability) asset	\$ (268,777)
UCRRA's covered-employee payroll	\$ 1,512,837
UCRRA's proportionate share of the net pension (liability) asset as a percentage of its covered-employee payroll	17.77%
Plan fiduciary net position as a percentage of the total pension liability	97.95%

\* The amounts presented for the fiscal year were determined as of the measurement date March 31.

See paragraph on supplementary schedules included in independent auditors' report



**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  
Ulster County Resource Recovery Agency  
Kingston, New York

**Independent Auditors' Report**

We have audited, 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, the financial statements of the Ulster County Resource Recovery Agency, a Component Unit of the County of Ulster (the Agency), as of and for the year ended December 31, 2015, and the related notes to the financial statements which, collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 29, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Agency'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albany, New York  
March 29, 2016