

ULSTER COUNTY RESOURCE
RECOVERY AGENCY

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report thereon)

ULSTER COUNTY RESOURCE RECOVERY AGENCY

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TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
555 INTERNATIONAL DRIVE
WILLIAMSVILLE, NEW YORK 14221
TELEPHONE (716) 634-0700
FAX (716) 634-0764

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ulster County Resource Recovery Agency:

We have audited the accompanying basic financial statements of Ulster County Resource Recovery Agency (the Agency) as of December 31, 2009 and 2008 as listed in the accompanying table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ulster County Resource Recovery Agency as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2010, on our consideration of Ulster County Resource Recovery Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 to 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co. P.C.

Williamsville, New York
February 16, 2010

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Management's Discussion and Analysis

December 31, 2009 and 2008

Introduction

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

The Ulster County Resource Recovery Agency is proud to present its financial statements for the fiscal year 2009. There are three financial statements presented: statements of net assets, statements of revenue, expenses, and changes in net assets, statements of cash flows, and notes to the financial statements.

The following is a discussion and analysis of the Ulster County Resource Recovery Agency's financial performance providing a narrative overview of the activities for the year ended December 31, 2009. Readers should consider management's discussion and analysis in conjunction with the financial statements, which follow this section.

Financial Highlights

The Agency's net assets deficit balance decreased by \$800,000, from (\$12.4) million at December 31, 2008 to (\$11.6) million at December 31, 2009.

Total revenue in 2009 amounted to \$14.4 million, a \$187,500 decrease from 2008. A majority of the large decrease in sales of recyclables was offset by increases in the net service fee and tipping fees. During 2009, the Agency entered into an agreement with one of its commercial haulers that substantially increased volume and related revenues. This agreement increased monthly volume by approximately 3,000 tons per month (over \$200,000 per month in increased tip fee revenue).

Sale of recyclables is driven by markets and related pricing. The fourth quarter of 2008 saw unprecedented drops in demand and related pricing across all recycling markets. Recycling sales averaged \$145,000 per month for the first three quarters of 2008, but fell to \$22,000 for the month of December. The effects of these market conditions carried over into the 2009 fiscal year. Initial forecasts indicated a possible budgeted revenue shortfall of nearly \$1.5 million, but markets recovered and prices steadily increased with each fiscal quarter during 2009. Market recoveries combined with increased recycling tipping fees resulted in a budgeted shortfall of approximately \$800,000.

The Agency was awarded two Federal grants through the New York State Education Department (LGRMIF) for the 2007-2008 and 2008-2009 grant years. The 2007-2008 grant was for inactive records and was successfully completed during 2008. The 2008-2009 grant was for the conversion of archival records to electronic format and was successfully completed during 2009.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Management's Discussion and Analysis, Continued

Total expenses of \$12.6 million in 2009 decreased by \$806,000 when compared to 2008. This decrease is a direct effect of lower diesel fuel prices throughout 2009. The Agency continues to focus on streamlining operations in order to achieve improved operating efficiencies.

Overview of the Financial Statements

Statements of Net Assets

The statements of net assets presents the assets, liabilities, and net assets of the Agency at the end of each year. The purpose of the statements of net assets is to present to the readers of the financial statements a fiscal snapshot of Ulster County Resource Recovery Agency. From the data presented, readers of the statements of net assets 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 assets provides a picture of the net assets (assets minus liabilities) and their availability for use by the Agency.

Condensed Statement of Net Assets

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Assets, other than capital assets	\$ 9,821,545	10,200,886
Capital assets	<u>10,717,531</u>	<u>10,872,823</u>
Total assets	<u>\$ 20,539,076</u>	<u>21,073,709</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities	4,897,554	4,515,160
Long-term liabilities	<u>27,233,777</u>	<u>28,955,100</u>
Total liabilities	<u>32,131,331</u>	<u>33,470,260</u>
Net Assets:		
Investments in capital assets, net of capital lease	10,703,167	10,767,738
Unrestricted	2,665,397	3,355,940
Related to outstanding debt	(25,638,745)	(27,963,745)
Landfill postclosure care costs	(4,174,756)	(3,475,780)
Restricted	<u>4,852,682</u>	<u>4,919,296</u>
Total net assets (deficit)	<u>(11,592,255)</u>	<u>(12,396,551)</u>
Total liabilities and net assets	<u>\$ 20,539,076</u>	<u>21,073,709</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Management's Discussion and Analysis, Continued

Statements of Revenue, Expenses, and Changes in Net Assets

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

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

Statements of Revenue, Expenses,
and Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Revenue:		
Program revenue:		
Grant revenue	\$ 49,591	8,567
Sales of recyclable materials	1,100,205	1,659,567
Solid waste service fees	11,580,778	11,377,018
County net service fees	1,398,254	1,249,383
Other revenue	38,415	46,202
General revenue:		
Investment income	116,723	195,394
Gain on disposal of assets	<u>79,199</u>	<u>14,617</u>
Total revenue	<u>14,363,165</u>	<u>14,550,748</u>
Expenses:		
Facilities and operations - cost of sales and service	8,217,732	9,036,577
General and administrative:		
Salaries and wages	1,532,417	1,483,425
Benefits	824,782	767,850
Administration	540,648	576,578
Depreciation	630,193	598,925
Amortization	63,742	74,049
Interest on long-term debt	<u>830,655</u>	<u>908,825</u>
Total expenses	<u>12,640,169</u>	<u>13,446,229</u>
Increase in net assets	1,722,996	1,104,519
(Increase) reduction in estimated liability for landfill postclosure care costs	(918,700)	131,334
Net assets (deficit) at beginning of year	<u>(12,396,551)</u>	<u>(13,632,404)</u>
Net assets (deficit) at end of year	<u>\$ (11,592,255)</u>	<u>(12,396,551)</u>

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

Statements of Cash Flows

The final statement presented by the Agency is the statements of cash flows. The statements of cash flows presents 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.

Condensed Statements of Cash Flows

	<u>2009</u>	<u>2008</u>
Net cash provided by operating activities	\$ 2,749,088	2,753,435
Net cash used in capital and related financing activities	(3,869,183)	(3,544,340)
Net cash provided by investing activities	<u>116,651</u>	<u>613,525</u>
Net decrease in cash and equivalents	(1,003,444)	(177,380)
Cash and equivalents at beginning of year	<u>5,557,653</u>	<u>5,735,033</u>
Cash and equivalents at end of year	<u>\$ 4,554,209</u>	<u>5,557,653</u>

Economic Outlook

The Agency's overall financial position continued to improve in 2009 but not without an adverse effect. A major goal of the Agency is to reduce the county's yearly obligation (net service fee). A reduction of the net service fee effectively reduces the taxpayers burden. Between the years 2004 and 2009, the net service fee has been reduced by 59%. During the years 2008 and 2009, to make up for the decrease in net service fees, the Agency has transferred more than \$1.5 million in reserve balances in order to make its debt service payments. This liquidation of reserves has led to an inability to access these funds for future net service decreases. As the economy continues to recover, the Agency anticipates increased investment opportunities that will help in the necessary rebuilding of Agency reserve funds. Agency management continues to maintain a close watch over its resources and recycling market prices in order to maintain the Agency's ability to react to unknown internal and external issues.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Management's Discussion and Analysis, Continued

Overall Analysis

The Agency and its operations are largely driven by volumes, which had previously decreased by 11% over the past two years. During 2009, the Agency's new agreement with the area's largest commercial/residential hauler, greatly impacted volume. When compared to the first six months of the year, the average monthly tonnage for the first three months of the agreement (July – September) rose by 65%. Fuel costs had a major impact on operating expenses during 2008. The stabilization of fuel prices during 2009, reduced diesel fuel expenses by more than \$700,000. Expenses continue to be reduced in specific areas that were in line with Agency goals. Overall, the Agency was able to maintain a positive financial position throughout 2009, despite all of the adversities that were encountered.

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 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 Assets

December 31, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and equivalents	\$ 4,554,209	5,557,653
Investments	2,542,949	2,542,949
Receivables, net of allowance of \$74,000 in 2009 and \$52,000 in 2008	983,610	747,076
Accrued interest	38,686	38,614
Due from Ulster County	1,398,254	1,249,383
Prepaid expense	286,685	41,289
Total current assets	<u>9,804,393</u>	<u>10,176,964</u>
Discount at issue	17,152	23,922
Capital assets, net	<u>10,717,531</u>	<u>10,872,823</u>
Total assets	<u>\$ 20,539,076</u>	<u>21,073,709</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	970,981	722,511
Deferred revenue	783,593	735,756
Host community benefits payable	129,324	101,655
Other payables	58,619	49,721
Current installments of long-term debt	2,374,364	2,415,721
Current portion of landfill post closure care costs	219,724	173,789
Compensated absences	360,949	316,007
Total current liabilities	<u>4,897,554</u>	<u>4,515,160</u>
Long-term debt, excluding current installments	23,278,745	25,653,109
Landfill post closure care costs, excluding current portion	<u>3,955,032</u>	<u>3,301,991</u>
Total liabilities	<u>32,131,331</u>	<u>33,470,260</u>
Net assets:		
Investments in capital assets, net of capital lease	10,703,167	10,767,738
Restricted for:		
General operating costs	1,398,254	1,249,383
Landfill closure	105,109	105,090
Debt repayment	3,349,319	3,564,823
Unrestricted (deficit)	<u>(27,148,104)</u>	<u>(28,083,585)</u>
Total net assets	<u>(11,592,255)</u>	<u>(12,396,551)</u>
Total liabilities and net assets	<u>\$ 20,539,076</u>	<u>21,073,709</u>

See notes to accompanying financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY
 Statements of Revenue, Expenses and Changes in Net Assets
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenue:		
Charges for sales and services:		
Sales of recyclable materials	\$ 1,100,205	1,659,567
Solid waste service fees	11,580,778	11,377,018
County net service fees	1,398,254	1,249,383
Other revenue	38,415	46,202
Total operating revenue	<u>14,117,652</u>	<u>14,332,170</u>
Operating expenses:		
Costs of sales and services	8,217,732	9,036,577
Salaries and wages	1,532,417	1,483,425
Benefits	824,782	767,850
Administration	540,648	576,578
Depreciation	630,193	598,925
Amortization	63,742	74,049
Total operating expenses	<u>11,809,514</u>	<u>12,537,404</u>
Operating income	<u>2,308,138</u>	<u>1,794,766</u>
Nonoperating revenue (expenses):		
Investment income	116,723	195,394
Grant revenue	49,591	8,567
Interest expense	(830,655)	(908,825)
Gain on disposal of assets	79,199	14,617
Total nonoperating revenue (expenses)	<u>(585,142)</u>	<u>(690,247)</u>
Increase in net assets	1,722,996	1,104,519
Reduction (Increase) in estimated liability for landfill post closure care costs	(918,700)	131,334
Net assets (deficit) at beginning of year,	<u>(12,396,551)</u>	<u>(13,632,404)</u>
Net assets (deficit) at end of year	<u>\$ (11,592,255)</u>	<u>(12,396,551)</u>

See accompanying notes to financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY
 Statements of Cash Flows
 Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from services	\$ 13,767,584	14,979,908
Payments to suppliers	(8,706,239)	(10,034,285)
Payment to employees	<u>(2,312,257)</u>	<u>(2,192,188)</u>
Net cash provided by operating activities	<u>2,749,088</u>	<u>2,753,435</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(541,499)	(154,267)
Proceeds from disposal of assets	88,825	21,100
Grant revenue	49,591	8,567
Landfill post closure care costs	(219,724)	(173,789)
Principal paid on long-term debt	(2,415,721)	(2,337,126)
Interest paid on long-term debt	<u>(830,655)</u>	<u>(908,825)</u>
Net cash used in capital and related financing activities	<u>(3,869,183)</u>	<u>(3,544,340)</u>
Cash flows from investing activities		
Principal returned on long-term investment	-	397,287
Interest and dividends received	<u>116,651</u>	<u>216,238</u>
Net cash provided by investing activities	<u>116,651</u>	<u>613,525</u>
Net decrease in cash and equivalents	(1,003,444)	(177,380)
Cash and equivalents at beginning of year	<u>5,557,653</u>	<u>5,735,033</u>
Cash and equivalents at end of year	<u>\$ 4,554,209</u>	<u>5,557,653</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	2,308,138	1,794,766
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	630,193	598,925
Amortization expense	63,742	74,049
Changes in:		
Receivables	(236,534)	314,689
Due from Ulster County	(148,871)	638,295
Prepaid expenses	(245,396)	117,959
Facility operations payable	285,037	(539,089)
Deferred revenue	47,837	(305,246)
Compensated absences	<u>44,942</u>	<u>59,087</u>
Net cash provided by operating activities	<u>\$ 2,749,088</u>	<u>2,753,435</u>

See accompanying notes to financial statements.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements

December 31, 2009 and 2008

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

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

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets. See unrestricted below.
- Restricted - nonexpendable - Net assets subject to externally imposed conditions that the Agency must maintain them in perpetuity.
- Restricted - expendable - Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Agency or by the passage of time.
- Unrestricted - All other categories of net assets. Included in unrestricted net assets are amounts not available for other purposes. The liability for debt is shown as a reduction of unrestricted since it was not possible to distinguish the amount that is related to capital assets.

(b) 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.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Budgetary Policies, Continued

- 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.

(c) Estimates

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

(d) Cash and Equivalents

For financial statement purposes, the Agency considers all highly liquid investments with maturities of three months or less as cash equivalents. Due to debt service reserve requirements, varying amounts of cash equivalents may need to be restricted throughout the year. Restricted cash equivalents needed as of December 31, 2009 and 2008 amounted to \$20,926 and \$253,426, respectively.

(e) 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.

(f) 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.

(g) Interfund Transfers

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

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Fund Equity

Reserves and Designations - Portions of fund equity are segregated for future use; and are, therefore, not available for current appropriation or expenditure. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the ensuing year's budget or tentative plans for future use.

Restricted/Unrestricted Resources - If an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the policy is to follow Board resolutions when deciding which assets to use.

(i) Advertising Costs

Advertising costs are expensed as incurred.

(3) Capital Assets

Capital asset activity for the years ended December 31, 2009 and 2008 is as follows:

	2009			
	<u>Beginning</u> <u>balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>balances</u>
Land	\$ 595,000	88,172	-	683,172
Buildings	9,763,174	270,518	-	10,033,692
Machinery and equipment	3,364,854	183,875	(291,061)	3,257,668
Trailers	537,475	-	(90,800)	446,675
Computers	35,012	-	-	35,012
Software	29,127	-	-	29,127
Vehicles	1,832,142	-	(441,705)	1,390,437
Furniture and fixtures	68,715	-	-	68,715
Construction-in-process	33,149	14,387	(15,453)	32,083
Bond issuance costs	569,722	-	-	569,722
Total capital assets	<u>16,828,370</u>	<u>556,952</u>	<u>(839,019)</u>	<u>16,546,303</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(3) Capital Assets. Continued

Less accumulated depreciation and amortization

	2009			
	Beginning balances	Additions	Retirements	Ending balances
Buildings	\$ 1,373,362	243,406	-	1,616,768
Machinery and equipment	2,254,263	246,783	(281,435)	2,219,611
Trailers	450,343	33,569	(90,800)	393,112
Computers	9,820	5,722	-	15,542
Software	26,431	1,079	-	27,510
Vehicles	1,509,426	97,430	(441,705)	1,165,151
Furniture and fixtures	54,941	2,204	-	57,145
Bond issuance costs	276,961	56,972	-	333,933
Total accumulated depreciation and amortization	<u>5,955,547</u>	<u>687,165</u>	<u>(813,940)</u>	<u>5,828,772</u>
Capital assets, net	<u>\$ 10,872,823</u>	<u>(130,213)</u>	<u>(25,079)</u>	<u>10,717,531</u>
	2008			
	Beginning balances	Additions	Retirements	Ending balances
Land	\$ 595,000	-	-	595,000
Buildings	9,726,818	36,356	-	9,763,174
Machinery and equipment	3,344,434	39,879	(19,459)	3,364,854
Trailers	576,438	-	(38,963)	537,475
Computers	32,156	25,838	(22,982)	35,012
Software	25,891	3,236	-	29,127
Vehicles	1,829,428	25,068	(22,354)	1,832,142
Furniture and fixtures	64,580	4,135	-	68,715
Construction-in-process	-	33,149	-	33,149
Bond issuance costs	569,722	-	-	569,722
Total capital assets	<u>16,764,467</u>	<u>167,661</u>	<u>(103,758)</u>	<u>16,828,370</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(3) Capital Assets, Continued

Less accumulated depreciation and amortization

	2008			
	Beginning balances	Additions	Retirements	Ending balances
Buildings	\$ 1,148,982	224,380	-	1,373,362
Machinery and equipment	2,070,105	197,134	(12,976)	2,254,263
Trailers	439,920	49,386	(38,963)	450,343
Computers	18,731	14,071	(22,982)	9,820
Software	25,891	540	-	26,431
Vehicles	1,419,567	112,213	(22,354)	1,509,426
Furniture and fixtures	53,740	1,201	-	54,941
Bond issuance costs	219,989	56,972	-	276,961
Total accumulated depreciation and amortization	<u>5,396,925</u>	<u>655,897</u>	<u>(97,275)</u>	<u>5,955,547</u>
Capital assets, net	<u>\$ 11,367,542</u>	<u>(488,236)</u>	<u>(6,483)</u>	<u>10,872,823</u>

(4) Cash, Cash Equivalents and Investments

The Agency's investment policies are governed by State statutes and the Agency's investment policy adopted August 6, 1993. Cash equivalents and investments at year-end were covered by Federal Deposit Insurance or by collateral held in the Agency's custodial bank in the Agency's name. This coverage was less than 100% of the balances on deposit. 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, 2009, the Agency's cash, cash equivalents and investment balances were as follows:

	Category			Reported amount/ fair value
	1	2	3	
Cash and equivalents	\$ 2,287,269	2,266,940	-	4,554,209
Investments	-	2,542,949	-	2,542,949
Total	<u>\$ 2,287,269</u>	<u>4,809,889</u>	<u>-</u>	<u>7,097,158</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(5) Retirement Plan

The Agency is a participant in the New York State Retirement 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 12236.

Funding Policy

The System is non contributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employer contributions. The required contributions for the current year and two preceding years were:

2009	\$ 199,007
2008	206,002
2007	<u>205,182</u>

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

(6) Long Term Debt

Long-term debt at December 31, 2009 and 2008 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

(6) Long Term Debt, Continued

(b) Changes

The changes in the Agency's indebtedness during the years ended December 31, 2009 and 2008 are summarized as follows:

	2009			
	Balances	Additions	Payments	Balances
	January 1			December 31
Term notes	\$ 1,130,000	-	(110,000)	1,020,000
Term bonds	4,789,990	-	(635,000)	4,154,990
Serial bonds	16,595,000	-	(1,580,000)	15,015,000
Capital appreciation bonds	5,448,755	-	-	5,448,755
Capital leases	105,085	-	(90,721)	14,364
Total	<u>\$ 28,068,830</u>	<u>-</u>	<u>(2,415,721)</u>	<u>25,653,109</u>
	2008			
	Balances	Additions	Payments	Balances
	January 1			December 31
Term notes	\$ 1,240,000	-	(110,000)	1,130,000
Term bonds	5,414,990	-	(625,000)	4,789,990
Serial bonds	18,110,000	-	(1,515,000)	16,595,000
Capital appreciation bonds	5,448,755	-	-	5,448,755
Capital leases	178,817	13,394	(87,126)	105,085
Total	<u>\$ 30,392,562</u>	<u>13,394</u>	<u>(2,337,126)</u>	<u>28,068,830</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(6) Long-Term Debt, Continued

(c) Maturity

The following is a summary of maturity of indebtedness as of December 31, 2009:

<u>Description of issue</u>	<u>Issue date</u>	<u>Final maturity</u>	<u>Interest rate</u>	<u>Outstanding at 12/31/09</u>
Capital lease	02/09/2005	02/09/2010	4.38%	\$ 14,364
Serial bonds	09/01/2000	03/01/2010	Various	450,000
Term bonds	03/10/1999	03/01/2014	2.20%	2,144,990
Term bonds	12/30/1998	08/01/2016	2.23%	495,000
Term bonds	07/01/1999	03/01/2017	2.20%	1,515,000
Term note	03/01/2000	03/01/2017	2.82%	1,020,000
Serial bonds	12/18/2002	03/01/2018	Various	12,730,000
Serial bonds	07/21/2006	03/01/2021	Various	1,835,000
Capital appreciation bonds	12/18/2002	03/01/2025	Various	5,448,755
Total long-term debt				<u>\$ 25,653,109</u>

The maturities of these issues as of December 31, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,374,364	748,803	3,123,167
2011	2,175,000	672,581	2,847,581
2012	2,250,000	599,903	2,849,903
2013	2,320,000	524,153	2,844,153
2014	2,405,000	443,747	2,848,747
2015 - 2019	9,115,555	1,892,303	11,007,858
2020 - 2024	3,742,008	5,600,442	9,342,450
2025 - 2029	<u>1,271,182</u>	<u>2,773,818</u>	<u>4,045,000</u>
	<u>\$ 25,653,109</u>	<u>13,255,750</u>	<u>38,908,859</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, 2009 amounted to \$4,240,000.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(6) Long-Term Debt, Continued

(d) Advance Refunding of Debt, Continued

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.

(7) Unrestricted Deficit

The Agency's net unrestricted deficit as of December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
General unrestricted	\$ 2,513,609	3,199,151
Insurance reserve	151,788	156,789
Related to outstanding debt	(25,638,745)	(27,963,745)
Landfill postclosure care costs	<u>(4,174,756)</u>	<u>(3,475,780)</u>
	<u>\$ (27,148,104)</u>	<u>(28,083,585)</u>

(8) 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 assets in the amount of \$360,949 and \$316,007 as of December 31, 2009 and 2008, respectively.

(9) Contingencies

Contingencies at December 31, 2009 consist of the following:

(a) Risk Financing and Related Insurance

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

The balances in the insurance reserve at December 31, 2009 and 2008 amounted to \$151,788 and \$156,789, respectively. The reserved monies are maintained in a separate interest-bearing account. There were no claims paid out of this fund in 2009 or 2008.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(9) Contingencies, Continued

(a) Risk Financing and Related Insurance, Continued

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

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

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

(b) Landfill Closure and Post-Closure Care Costs

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. Current projections prepared by the Agency of annual post closure monitoring and maintenance costs for all three landfills are \$219,724 for each of the remaining 19 years as follows:

	<u>Ulster landfill</u>	<u>New Paltz landfill</u>	<u>Lloyd landfill</u>	<u>Total</u>
Environmental monitoring	\$ 8,035	6,230	7,428	21,693
Leachate disposal	84,467	79,800	-	164,267
Facility maintenance	<u>24,646</u>	<u>7,932</u>	<u>1,186</u>	<u>33,764</u>
Total annual cost	<u>\$ 117,148</u>	<u>93,962</u>	<u>8,614</u>	<u>219,724</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(9) Contingencies, Continued

(b) Landfill Closure and Post-Closure Care Costs, Continued

The liability for landfill post-closure care costs at December 31, 2009 consists of the following:

Total annual cost	\$ 219,724
Remaining years	<u>19</u>
Total liability	4,174,756
Less current portion	<u>(219,724)</u>
Landfill post closure care costs, excluding current portion	\$ <u>3,955,032</u>

(c) Litigation

The Agency is a defendant in three litigation matters made by vendors. Management does not believe that these matters will have any material adverse effect on the financial condition of the Agency.

(10) Concentrations of Credit Risk

Financial instruments that potentially subject the Agency to concentrations of credit consist primarily of accounts in financial institutions, which from time to time may exceed the Federal Depository Insurance Corporation coverage. The Agency also has a credit risk with respect to accounts receivable, due to its concentration of customers within a single industry and the possible affect of economic factors in a single geographic area.

(11) Related Party Transactions

As part of the agreement between the County and the Agency, the County will provide the Agency each year with net service funds to assist with operating expenses incurred by the Agency. County net service fees amounted to \$1,398,254 and \$1,249,383 for the years ended December 31, 2009 and 2008, respectively. The amount due from Ulster County amounted to \$1,398,254 and \$1,249,383 at December 31, 2009 and 2008, respectively.

(12) Deferred Revenue

(a) Deferred Revenue from Customers

As of December 31, 2009 and 2008, the Agency had deferred revenue amounting to \$783,593 and \$727,026, respectively. This balance consisted of a deposit from a customer as part of an agreement to dispose of municipal solid waste, including construction and demolition debris, at the Agency's transfer stations. The Agency has agreed to accept a maximum of 300 tons of trailer transported waste, plus a minimum of 250 tons of non-trailer transported waste per week.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(12) Deferred Revenue, Continued

(a) Deferred Revenue from Customers, Continued

The original agreement, covered the period January 1, 2004 through December 31, 2006 and was amended and extended to cover the period January 1, 2007, through December 31, 2009. A second amendment and extension covers the period January 1, 2010, through December 31, 2012.

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

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

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

(b) Deferred Revenue from Grants

Monies received in 2008 for the 2008-2009 grant year that had not been fully expended were recorded as deferred revenue in the accompanying statements of net assets. As of December 31, 2008, the Agency had deferred revenue amounting to \$8,730. In 2009, these monies were fully expended. As of December 31, 2009, the Agency had no deferred revenue from grants.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements, Continued

(13) Grant Revenue

The Agency received grant revenue from three 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 years ended December 31, 2009 and 2008.

(b) 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 \$34,976 for this program during the year ended December 31, 2009. No funds were received for this program during the year ended December 31, 2008.

(c) Records Management Grant

This program is funded by the New York State Education Department's Local Government Records Management Improvement Fund. The Agency has received funding for two separate projects during the years ended December 31, 2009 and 2008.

The Agency's initial project was for the development of proper procedures and policies for inactive records, and to increase available storage space in our record rooms. This project was completed during 2008 and was for the 2007-2008 grant year. The Agency received \$7,495 for the year ended December 31, 2008.

The Agency's second project was for the implementation of an archival records program. The main objective of this project was to convert records with a permanent retention period to electronic format. This project was completed during 2009 and was for the 2008-2009 grant year. The Agency received \$9,802 for the years ended December 31, 2009 and 2008.