

UCRRA

Ulster County Resource Recovery Agency
Kingston, New York



Comprehensive Annual Financial Report
for the Fiscal Years Ended December 31, 2018 and 2017



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Introductory Section

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ULSTER COUNTY RESOURCE RECOVERY AGENCY

Board of Directors

Frederick Wadnola, Chairman
Vacant, Vice Chairman
Charles Landi, Treasurer
Brian Devine, Member
John "Jack" Hayes, Member

Legal Staff

Kenneth Gilligan, Esq.



Executive Director

TIMOTHY B. ROSE, P.E., M.P.A.

P.O. Box 6219, 999 Flatbush Road
Kingston, NY 12402

Email: ucrra@ucrra.org

Website: www.ucrra.org

Administrative Staff

Timothy DeGraff, C.P.A., Controller
Charles Whittaker, Operations Manager
Angelina Peone, Recycling Coordinator
Melinda France, Recycling Educator
Thomas Briggs, Compliance Officer
Amy Lopiano, Chief Accounting Clerk

Phone: (845) 336-0600

Fax: (845) 336-4129

March 27, 2019

TO THE BOARD OF DIRECTORS OF THE
ULSTER COUNTY RESOURCE RECOVERY AGENCY:

This Comprehensive Annual Financial Report (CAFR) for the Ulster County Resource Recovery Agency (The Agency) containing the results of financial transactions occurring during the year ended December 31, 2018 is hereby submitted to the Agency Board and all others interested in the financial condition of the Agency. This report is published in accordance with the requirements of the State of New York (State) enabling legislation creating the Agency, Article 9, Section 2800 of the Public Authorities Law. Pursuant to those requirements, this Comprehensive Annual Financial Report of the Agency has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). This report consists of three sections: Introductory, Financial, and Statistical. The basic financial statements included in the Financial Section have been audited by Teal, Becker & Chiamonte, CPAs, P.C.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Teal, Becker & Chiamonte, CPAs, P.C., have issued an unqualified ("clean") opinion on the Agency's financial statements for the years ended December 31, 2018 and 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

DESCRIPTION OF AUTHORITY

The Agency was formed for the purpose of developing, financing, and implementing a comprehensive countywide solid waste management program. In the mid-1980s, 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 (County) requested that the County government assume the responsibility for the 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.

Prior to 2013, the Agency had to contract with commercial haulers to ensure that a sufficient amount of volume was coming into the Agency in order to meet its financial obligations. On December 4, 2012, the Ulster County Legislature voted on and passed a countywide flow control law and on December 18, 2012 the Ulster County Executive signed it into law. Subsequently the law was filed with the New York State Department of State (NYS DOS) on January 2, 2013 and on January 28, 2013 the Ulster County Clerk of the Legislature was officially notified by the NYSDOS that the law was filed which meant that as of said date, the law is now enforceable. The Flow Control Law mandates that all Municipal Solid Waste (MSW) generated within Ulster County must be brought to an Agency designated facility, which at present are the two Agency transfer stations. The tipping fees are set by the Agency's Board of Directors as part of the budgeting process to ensure that the corresponding fiscal year's financial obligations will be met. The major financial impacts of this law were an increase in solid waste service fees, the elimination of County subsidies, and the ability of the Agency to be self- sustaining.

Board of Directors: The Agency is governed by a five (5) member Board of Directors who are appointed by the Chairperson of the County Legislature and confirmed by the Legislature as a whole, for terms of three years.

Executive Director and Staff: An Executive Director, who serves at the Board's pleasure, is the Chief Executive Officer of the Agency and is responsible for implementing its policy decisions. The Executive Director's immediate staff includes a Controller, Operations Manager, Recycling Coordinator, Recycling Educator, and Compliance Officer. A complete chart of personnel organization appears within this introductory section.

Budgetary Information: The budget is compiled each year by Agency management and proposed to the Board of Directors by August. Based on the County's responsibility for the appointment of Agency Board Members and certain agreed upon debt related requirements, the Agency is considered a component unit of the County under the criteria established by the Governmental Accounting Standards Board (GASB). Due to this, the Board approved budget is submitted to the County Executive for review. This is followed by a public hearing process prior to the final budget approval in October by the Board of Directors.

SOLID WASTE ECONOMICS

The Agency operates two facilities that are both located within the County. With the flow control law being in effect in the County, local economic factors can have a direct effect on Agency solid waste volumes. The County has an approximate population of 180,000, and the Agency serves

its residents with one regional transfer station in the northern part of the County (Town of Ulster) and one in the southern part of the County (Town of New Paltz).

The main revenue and cost driver for the Agency is volume. With a tipping fee of \$103/ton, tipping fee revenues regularly amount to over 85% of total operating revenues. Expenditures related to volume (transportation costs, disposal costs, host community fees) regularly amount to over 55% of total operating expenses. Fluctuations in volume can have a major impact on the Agency's finances, but since the passage of flow control in February 2013, MSW volume has become more consistent. Volume fluctuations tend to follow along with current economic trends, but tend to have a larger influence on Construction and Demolition (C&D) debris than MSW. In the past few years as our economy finally began to recover from its last recession, Agency volume improved significantly, which also had positive effects on finances.

RECYCLING ECONOMICS

The Agency operates a Materials Recovery Facility (MRF) at its Town of Ulster site. The MRF is set up to process dual-stream recycling only. Dual-stream recycling means that residents keep mixed newspapers, glass, and old corrugated cardboard (OCC) in separate containers, while other recyclables, such as plastic and metal are kept in another container. In recent years, single stream recycling (SSR) took over as the main collection practice. SSR means that all of the noted recyclables above are kept in one single container. The inability to process SSR at the Agency's MRF created a large loss in revenue streams over the years. It is currently unknown whether this trend will continue as municipalities have switched or will switch back to dual-stream, but the large commercial haulers have stuck with SSR collections.

With contracts in place, the Agency expects to receive the dual-stream recycling from municipalities for the foreseeable future, allowing the MRF to be on solid fiscal ground when market conditions are favorable. 2018 saw a downturn in market prices for mixed newspapers and OCC. Mixed newspapers reached a high of \$113 per ton in 2017, but bottomed out in 2018 at \$0 per ton. OCC also reached a high in 2017 at \$206 per ton, with a low in 2018 of \$50 per ton. Plastic prices remained favorable throughout 2018, but sold volume is much lower than mixed newspapers and OCC.

As the recycling industry deals with challenges worldwide, the Agency's composting program will continue to grow, helping to ease the burden of recycling volume losses. Food waste makes up approximately 25% of the waste stream. Diverting this volume from the landfill has become and will continue to be a major goal of the Agency. Intake of food waste has increased 177% over the last two years. Compost has historically only been sold in bulk only, but the Agency purchased a bagging machine in the beginning of 2019 which will lead to increased exposure for the program.

LONG TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The Agency continues to provide the users of the solid waste and recycling systems with exceptional service through their commitment to efficiency, the environment, and fiscal

responsibility. This commitment is taken into consideration on an everyday basis as we try to improve all aspects of the organization.

Operational improvements have been at the forefront in recent years. The Agency has continued to strengthen its communication and accuracy. Both of the scale houses at our Town of Ulster facility were equipped with license plate monitoring systems in an effort to improve transaction reporting. New radio equipment was purchased to assist staff in communicating with one another in a more effective and efficient manner. The fuel pumps at the Agency's fuel depot were in the middle of being replaced at the time of this report. As part of this project, the Agency had new fuel tracking software installed, as well as upgrading its network for Wi-Fi communication between all fuel dispensaries at both sites. Electronic waste collection container was moved to a closer proximity to the main office. This has allowed for better onsite monitoring of customer activity, as well as being a safer place for disposal for the customer. Household Hazardous Waste (HHW) events are held three times per year. In an effort to improve communication with participants, the Agency conducted digital surveys after the last event and began using an automated appointment reminder service which cut down on event "no shows."

The Agency is required to approve a 5 year capital plan on an annual basis. A major component of this plan is the routine replacement of large equipment. In the past 5 years the Agency has tried to place even more emphasis on the replacement of equipment and its vehicle fleet. This strategy is a direct result of the Agency's transportation and disposal contracts coming to an end on December 31, 2019. With unfavorable conditions being forecasted, the Agency is expecting a large increase in operational costs. In order to help offset these anticipated increases, the Agency planned to reduce its annual capital budget.

During 2018, the Agency purchased two adjacent pieces of property to its Town of Ulster facility. There is potential to develop these properties in the future. Some of the ideas that have been discussed are for a new administration building, a recycling education center, a residential drop-off facility, and a new, larger composting facility.

A major initiative in the upcoming year for the Agency is the drafting of a new Solid Waste Management Plan (SWMP). Cornerstone Engineering was hired to write the plan with input from a commission made up of Agency Board Member, Agency Executive Director, and Ulster County Legislators. The SWMP will attempt to determine a new method of disposal of County solid waste, possibly through a new regional solid waste authority named Greene Ulster Sullivan Solid Waste Authority (GUSSWA). GUSSWA had a feasibility study and a financial feasibility study completed in the past 18 months, both with positive conclusions.

RELEVANT FINANCIAL POLICIES

The Agency's operating budget is used to calculate the tipping fee for the upcoming year. A breakdown of major costs as they relate to the tip fee can be found within the MD&A. Since tonnages are the Agency's cost and revenue drivers, any deviation from budgeted tons will create

a variance from budgeted figures. 2018 tonnages were 8.6% higher than budgeted amounts, which was a major factor in creating a positive net operating revenue for the year.


As Part of its agreement with the County, the Agency is required to fund reserves with a sufficient amount that can subsidize any shortfalls between revenues and expenses. It was mutually agreed that at least 25% of Agency expenses is an appropriate funding level for reserve accounts. The calculation period is for a twelve months ending each September 1st. The last calculation period had a requirement of \$3,326,710 in reserves. The Agency had an Operating Reserve balance of \$2,900,859 and an excess Debt Service Reserve balance of \$620,705 as of September 1, 2018. Based on these amounts, the Agency sufficiently funded its reserves during the 2018 fiscal year.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) annually awards a Certificate of Achievement for Excellence in Financial Reporting to governmental entities for their comprehensive annual financial report (CAFR). In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. The fiscal year ended December 31, 2018 will be the first year that the Agency will be applying for this award.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Agency, and the enthusiastic support of the Board of Directors. We wish to thank all those involved in providing the necessary data to prepare this report. The quality and timely preparation of the CAFR was also made possible by the dedicated service of Teal, Becker, and Chiamonte, CPAs, P.C., the Agency's independent auditors.

Respectfully submitted,



Timothy B. Rose, P.E.
Executive Director



Timothy E. DeGraff, CPA
Controller



Agency Board Members and Management As of December 31, 2018

Board Members

Fred Wadnola

Chairman

Term Expires: 12/31/2020

David Gordon, Esq.

Vice Chairman

Term Expires: 12/31/2019

Charles Landi

Treasurer

Term Expires: 12/31/2019

Jack Hayes

Member

Term Expires: 12/31/2018

Brian Devine

Member

12/31/2018

Agency Management

**Timothy Rose, PE, BCEE,
QEP, MPA**

Executive Director

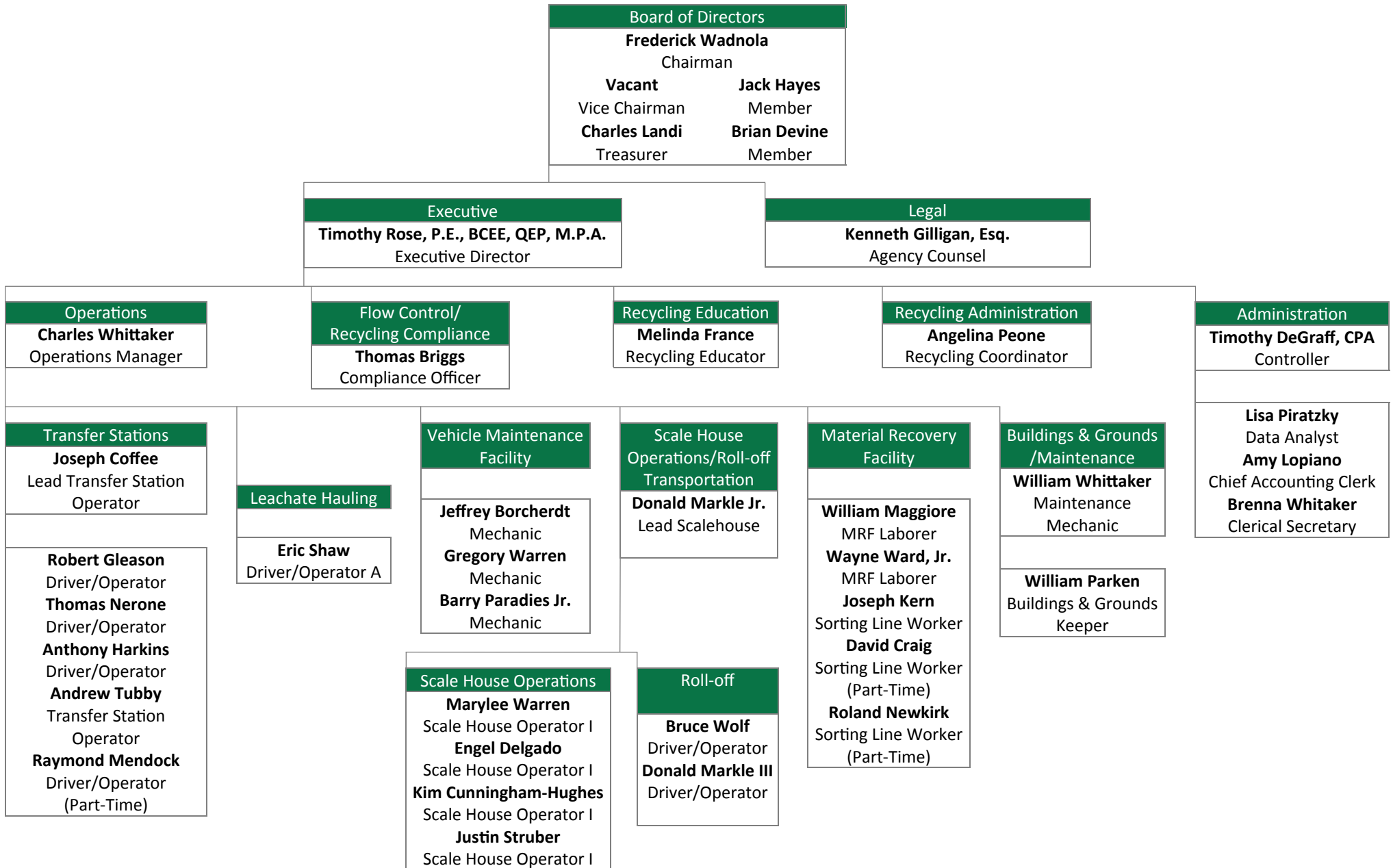
Timothy DeGraff, CPA

Controller

Kenneth Gilligan, Esq.

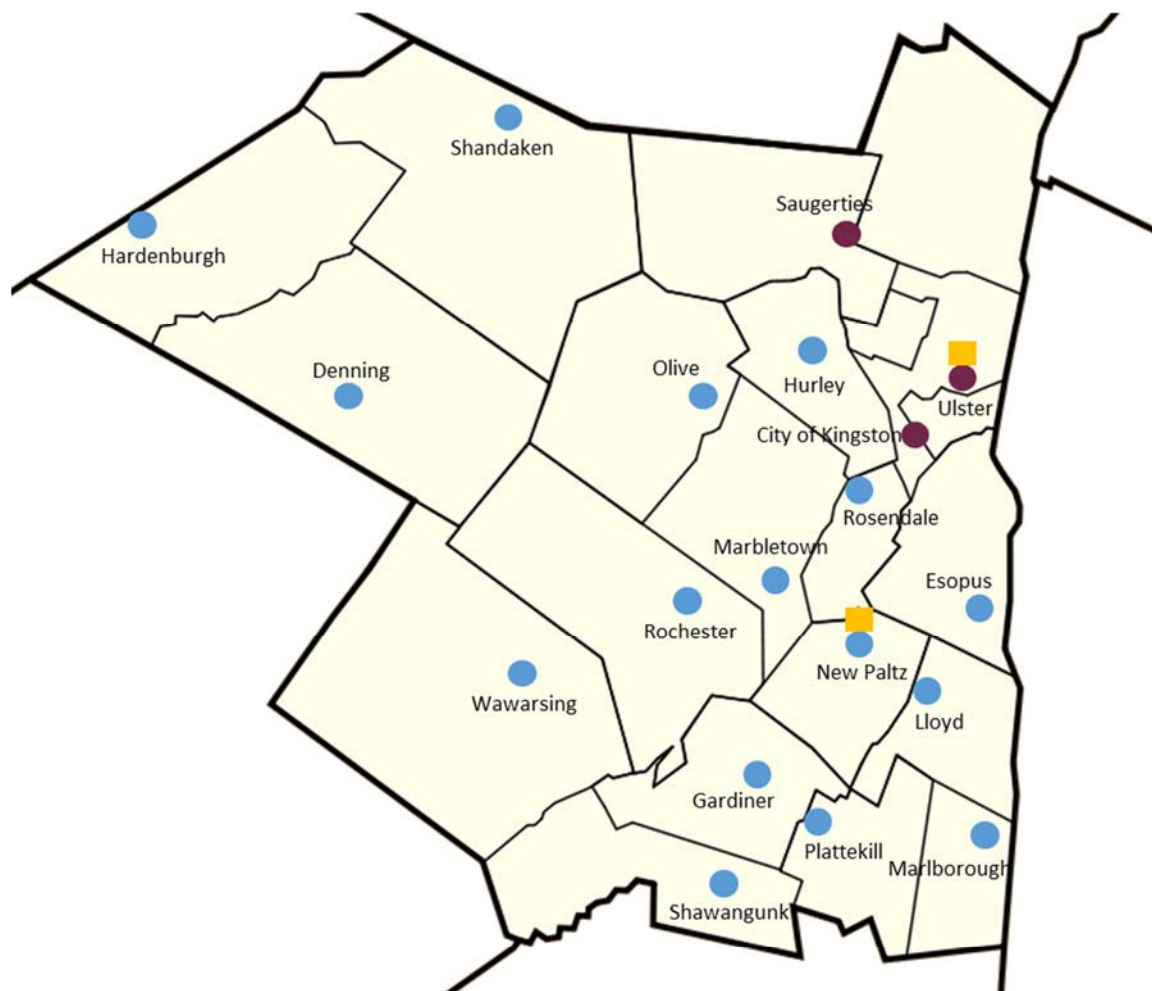
Agency Counsel

Agency Organizational Chart





Town Transfer Stations & UCRRA Facilities



- Municipal owned & operated facilities
- Municipal owned & operated facilities, serviced by UCRRA
- UCRRA facilities



Glossary of Terms

Closed Landfills

In 1997 the Agency took responsibility for the post-closure monitoring and maintenance of the former Ulster and New Paltz landfills, with an obligation of 30 years.

Commercial Haulers

Companies that offer curbside pick-up of household waste and recycling. Any company that picks up household waste, either from residences or businesses, in Ulster County is subject to the Flow Control Law. These haulers must have a permit with the Agency. This also includes companies that rent and transport roll-off containers. Roll-offs are commonly used to contain loads of C&D or other waste types.

Compost

An aerobic method (requiring the presence of air) of decomposing organic solid wastes. It can therefore be used to recycle organic material. The process involves decomposition of organic material into a humus-like material, known as compost, which is a good fertilizer for plants.

Construction & Demolition Debris (C&D)

All non-hazardous solid waste resulting from construction and demolition activities. C&D is not covered under The Flow Control Law.

Dual-Stream Recycling

A system in which food and beverage containers (aluminum and steel cans, glass jars and bottles, and some or all plastic bottles) are combined in one bin, with newspapers and/or mixed paper (such as junk mail, cereal boxes, and home office paper) in another bin. The two material streams are picked up and placed in separate compartments on the recycling truck, and taken to a MRF where the containers go through a variety of automated sorting equipment and hand-picking before being baled or containerized and sent to market.

E-waste

Discarded electrical or electronic devices. In New York State, consumers are required to recycle electronic waste, such as computers, computer peripherals, televisions, small scale servers, and small electronic equipment, etc., in an environmentally responsible manner. The Agency offers free e-waste recycling to residents, businesses, and non-profits. Collected items are delivered to a facility that specializes in bringing materials down to the separated commodity level such as plastic, metal, and glass, which are then sent to downstream processors.

Flow Control

Flow controls are legal provisions that allow state and local governments to designate the places where municipal solid waste (MSW) is taken for disposal. On February 1, 2013, the Ulster County Flow Control Law (Local Law No. 10 of 2012) was enacted. This ensures that all MSW created in Ulster County must be disposed of at the Agency. The Flow Control Law allows all users to pay the same rate for disposal, and ended tax-payer subsidies making the Agency self-sustaining.



Glossary of Terms (continued)

Leachate

The liquid that drains or 'leaches' from a landfill. Leaching occurs when water percolates through any permeable material within the landfill. Since the Agency has an agreement to service the former Ulster and New Paltz landfills, it is responsible for hauling leachate from these sites to the City of Kingston Wastewater Treatment Plant for processing.

Materials Recovery Facility (MRF)

Specialized plant that receives, separates, and prepares recyclable materials for marketing to end-user manufacturers. Some MRF's are built to process single-stream recycling, dual-stream recycling, or both. UCRRA operates a dual-stream only MRF.

Municipal Solid Waste (MSW)

Waste consisting of everyday items that are discarded by the public. In Ulster County, MSW is covered under the Flow Control Law.

Sewage Sludge

The residual, semi-solid material that is produced as a by-product during sewage treatment of industrial or municipal wastewater.

Single Stream Recycling (SSR)

A system in which all recyclables, including newspaper, cardboard, plastic, aluminum, junk mail, etc., are placed in a single bin. These recyclables are collected by a single truck and taken to a Materials Recovery Facility (MRF) to be sorted into various commodity streams for sale to markets, where it is processed into feedstock which can be used in the manufacturing of new products. The Agency's MRF is not able to process SSR.

Self Haulers

Companies such as contractors, landscapers, or other businesses who haul their own waste. This also applies to municipalities who are not serviced by UCRRA and instead haul their own waste to the Agency. These businesses are not subject to the permitting portion of the Flow Control Law. However, the Agency does offer credit accounts to businesses who prefer to be billed monthly.

Town Transfer Stations (MRDCs)

Facilities owned and operated by individual towns to allow their residents to drop off household waste and recycling. In Ulster County, there are nineteen MRDCs. The Agency has an agreement with sixteen of these towns to service their transfer stations.



Financial Section

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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 governmental activities and the business-type activities of the Ulster County Resource Recovery Agency, a component Unit of the County of Ulster (the Agency), as of and for the years ended December 31, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 governmental activities and the business-type activities of the Ulster County Resource Recovery Agency, as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 15 through 27 and 51 and 52 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ulster County Resource Recovery Agency's basic financial statements. The introductory section on pages 1 through 11, and the statistical section on pages 56 through 71, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, and the statistical section have not been subjected to the auditing procedures applied on the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, 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.

Leah Becker & Charamonte CPAs PC



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.

Mission Statement

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.



Ulster & New Paltz Transfer Stations, Material Recovery Facility, & Agency Closed Landfills

- Addition of license plate camera systems at the Ulster Transfer Station and Materials Recovery Facility scale houses.
- Improvements in the collection of e-waste including: new container, safer storage area, improved oversight due to relocation of collection container and the installation of a camera
- Purchase of new radio equipment for improved communication and reporting.
- Installation of new fuel tracking software for improved maintenance and reporting.
- Major repairs to the baler at the MRF, the grinder, and the compost mixing pits.
- Purchase of new forklift, dump truck, excavator, skid steer, and roll-off containers.
- Purchase of two parcels of land that are located adjacent to the current Agency property.



Communications & Public Outreach

- The Agency offered many tours throughout 2018 to Ulster County residents, neighboring county's residents, schools, environmental groups, college students, and other various organizations. Some of the groups that visited were: Chinese Delegates, Bard College, Marist College, the Omega Institute, the Boys & Girls Club, the Ellenville High School Environmental Club, Cahill Elementary School, NYSAR3, and various other groups from White Plains, Connecticut, Ulster County, and Westchester County. The visitors came to tour the Agency's Materials Recovery Facility (MRF) and commercial organics composting operation. Presentations were also given with some of the tours.
- Agency staff received several invitations to participate in events and fairs. Presentations were done at Plattekill Library, Woodland Pond (senior center), Saugerties Library for the Saugerties Rotary Club, Woodstock Elementary (Earth Day event), Bennett Elementary School (Earth Day event), City of Kingston Earth Fair, and a "Waste Management" presentation at SUNY Ulster.
- The Agency held its first Compost Seminar on April 7. The event had 14 participants, each received a compost bin, tour of the Agency's compost operation and an hour of instruction.
- The Agency designed new informational signs for recycling and trash which were distributed to all 18 Town Transfer Stations.
- In honor of America Recycles Day, the Agency held an upcycling craft event on December 8. There were 8 children who attended, with ages ranging from 3-13. They each created a CD ornament, as well as snowmen made out of k-cups, old socks and bread ties.
- The Agency ran a successful holiday sale on compost bins, with 31 bins being sold.
- The Agency continued its ad campaigns on local radio stations regarding recycling, composting, reducing food waste, e-waste collection, plastic bag recycling and Household Hazardous Waste events. Additionally, UCRRA's Recycling Coordinator and Executive Director had a monthly segment on WGHQ Radio.



Household Hazardous Waste & Pharmaceutical Program

Product	Weight
Pesticides (solid)	5,200 lbs.
Pesticides (liquid)	2,475 gal.
Fluorescent Bulbs	3,990 lbs.
Hazardous Paint	1,900 gal.
Hazardous Batteries	465 lbs.
Used Oil	275 gal.
Antifreeze	330 gal.
Other HHW (solid)	16,266 lbs.
Other HHW (liquid)	3,328 gal.
Pharmaceuticals	880 lbs.

UCRRA offers 3 HHW Collection Events per year as a safe, convenient, and free way for Ulster County households to dispose of hazardous materials such as: fluorescent lightbulbs, rechargeable batteries, oil based paints and stains, cleaning chemicals, and much more.

In 2018, the Agency offered three Household Hazardous Waste & Pharmaceuticals Collection Events - in April, July, and October. A total of 998 residents participated. The accompanying chart shows the quantities recovered of household hazardous waste and pharmaceutical waste.

Cumulatively, the Agency's program helped prevent 25,921 lbs. and 8,308 gal. of hazardous materials and 880 lbs. of pharmaceuticals from potentially being disposed of improperly and/or ending up in a landfill just in 2018.

Composting Program

UCRRA operates one of only 2 municipally-operated Extended Aerated Static Pile (EASP) composting facilities in NY State. The Agency accepts organics, including food waste and compostable products from commercial entities (local schools, restaurants, grocery stores, etc.) at a cost 80.5% lower than the cost to dispose of trash.

The end product is a finished compost which the Agency sells in bulk as a valuable soil amendment. Our finished compost is tested quarterly by 2 labs (Penn State and EnviroTest), and holds the US Composting Council's Seal of Testing Assurance. Test results are published on the Agency's website.

The Agency processed 3,475 tons of source separated organics in 2018. If the food waste we composted were instead managed as municipal solid waste, it would have cost the public \$357,925 in tipping fees.

By composting this material, the Agency removed 99 tractor trailer transport vehicles off the road (35 tons per vehicle) that would have traveled to Seneca Meadows Landfill for disposal. This represents a conservation of 9,405 gallons of diesel fuel, preventing 95.74 metric tons of carbon dioxide.

The total cost avoidance to the Agency for 2018 alone is approximately \$187,040 (hauling, landfill fees, fuel).

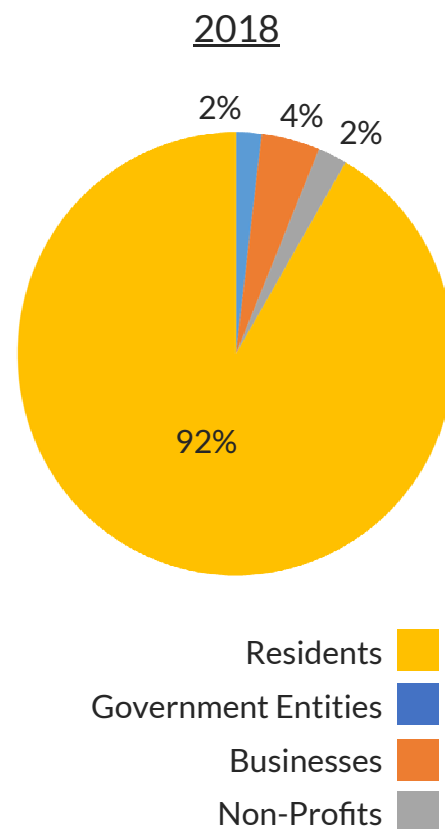


Electronics Recycling

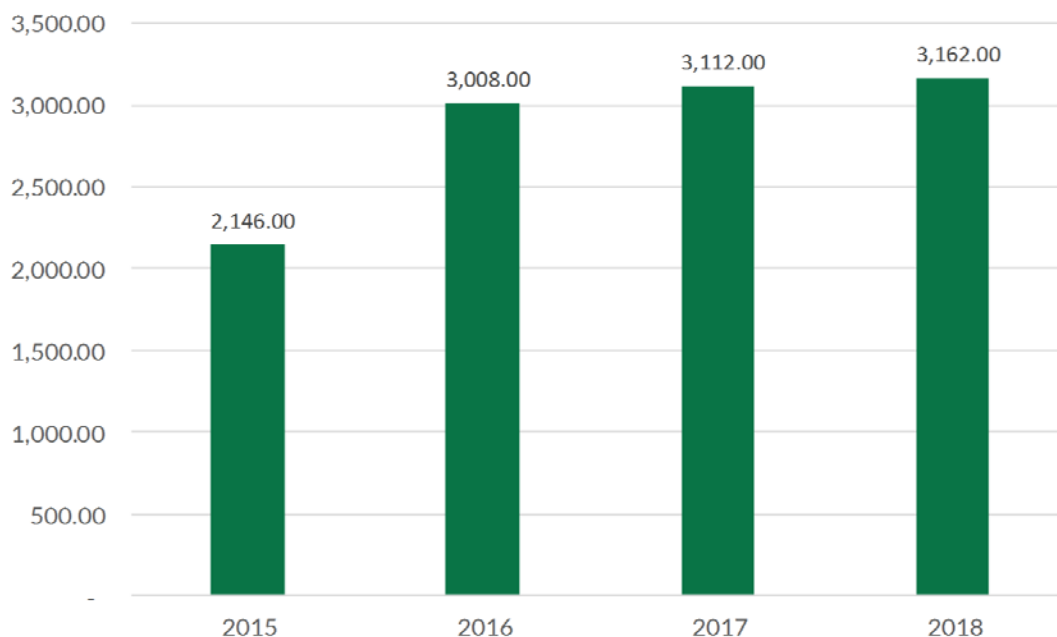
In NY State, it is against the law to throw computers and TVs into the trash. The Agency accepts those items, as well as many others such as printers, phones, microwaves, and more through our free e-waste recycling program. Items are transported to Electronics Recyclers International (ERI) in Holliston, MA.

The Agency's Electronics Recycling Program has been very successful, with 47% more participants in 2018 than 2015 (the program's first full year).

In 2018 the Agency collected over 296 tons of electronics from residents, small businesses (<50 employees), local government entities, and non-profit organizations (<75 employees). This number includes 207 tons of TVs and 3 tons of computers.



Total E-Waste Program Users





Overview of the Financial Statements

Statements of Net Position

The statements of net position presents 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

	2018	2017
Assets:		
Assets, other than capital assets	11,292,746	11,061,274
Capital assets	<u>9,893,603</u>	<u>9,430,055</u>
Total assets:	<u>21,186,349</u>	<u>20,491,329</u>
Deferred outflows of resources	<u>821,138</u>	<u>654,304</u>
Liabilities:		
Current Liabilities	3,123,307	3,884,943
Long-term liabilities	<u>7,165,220</u>	<u>8,164,503</u>
Total liabilities:	<u>10,288,527</u>	<u>12,049,446</u>
Deferred inflows of resources	<u>873,562</u>	<u>242,161</u>
Net position (deficit):		
Investments in capital assets	9,893,603	9,430,055
Unrestricted	(1,753,105)	(4,318,578)
Restricted	<u>2,704,900</u>	<u>3,742,549</u>
Total net position:	<u>10,845,398</u>	<u>8,854,026</u>



Statements of Revenue, Expenses, & 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.

	2018	2017
Revenue:		
Operating Revenue	15,984,910	15,289,882
Non-Operating Revenue	<u>193,413</u>	<u>185,618</u>
Total revenue:	<u>16,178,323</u>	<u>15,475,500</u>
Expenses:		
Operating Expenses	12,814,627	11,763,094
Non-Operating Expenses	<u>683,416</u>	<u>182,257</u>
Total expenses:	<u>13,498,043</u>	<u>11,945,351</u>
Increase in net position	2,680,280	3,530,149
Reduction in estimated liability for landfill post-closure care costs	(688,908)	(161,844)
Net position (deficit):		
Beginning of year	<u>8,854,026</u>	<u>5,485,721</u>
End of year	<u>10,845,398</u>	<u>8,854,026</u>

Revenue
Increased
4.5%



Expenses
Increased
13%





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

	2018	2017
Net cash provided by operating activities	3,629,595	4,337,371
Net cash used in capital and related financing activities	(3,840,240)	(3,708,468)
Net cash provided by investing activities	<u>141,967</u>	<u>130,549</u>
Net decrease in cash and equivalents	(68,678)	759,452
Cash and equivalents at beginning of year	<u>6,535,205</u>	<u>5,775,753</u>
Cash and equivalents at end of year	<u>6,466,527</u>	<u>6,535,205</u>



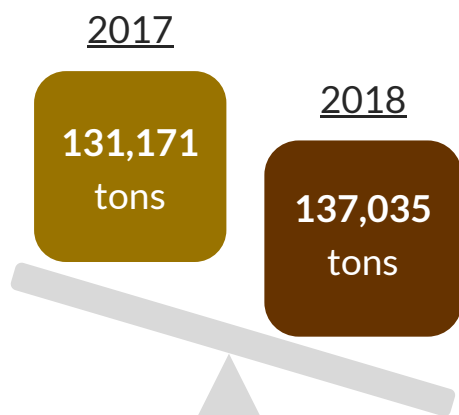
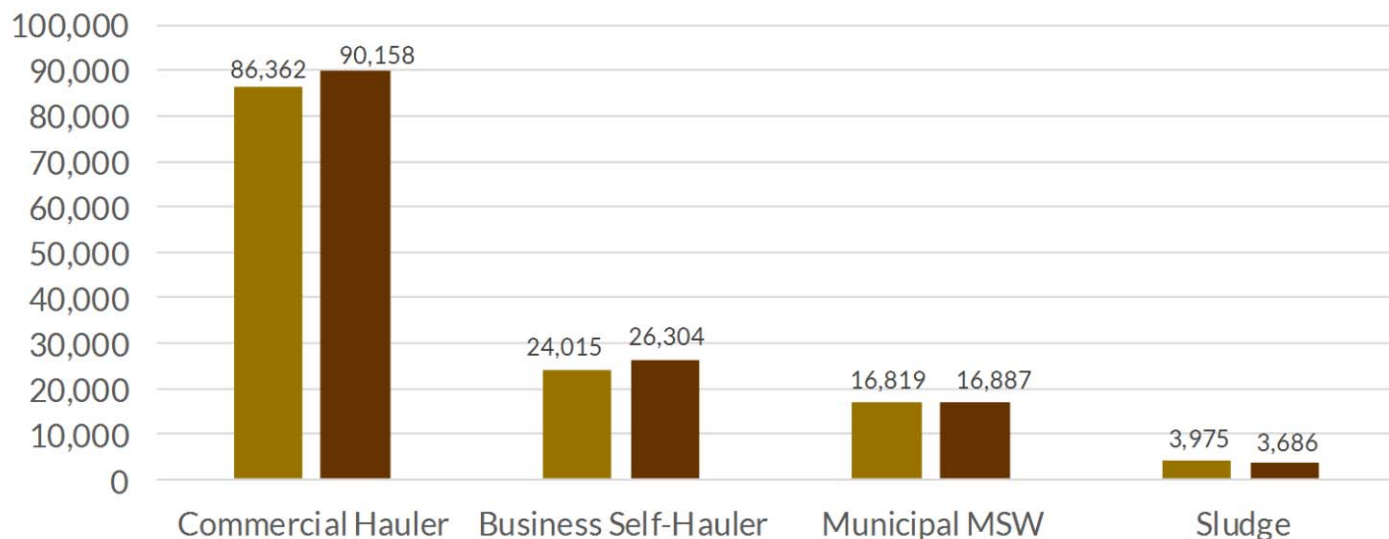
Financial Highlights

The Agency's net position improved by \$1.9 million, from \$8.9 million at December 31, 2017 to \$10.8 million at December 31, 2018.

Total revenue in 2018 reflects a \$700,000 increase from the previous year to \$16.2 million. During 2018, the Agency experienced an increase in volume and related solid waste service fees. A majority of revenue increases were due to the volume increases.

Total expenses in 2018 amounted to \$13.5 million, a \$1.6 million increase from 2017. During 2018, the Agency realized contractual increases for transportation and disposal costs. A portion of expenditure increases were due to these contractual increases and their volume related costs. The remaining portion of expenditure increases were due to increases in recycling disposal costs and the amount of interest accrued on long-term debt.

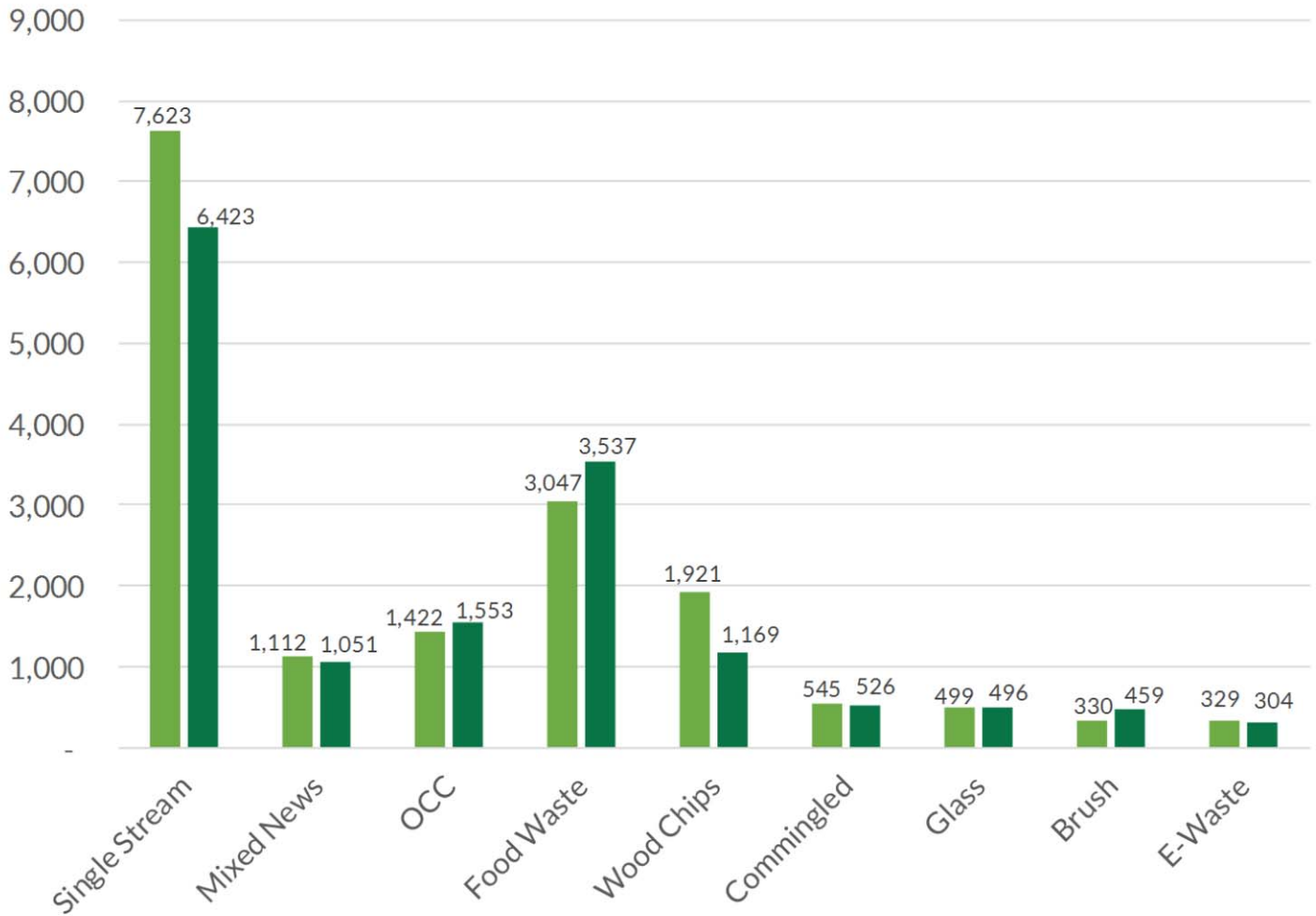
Waste



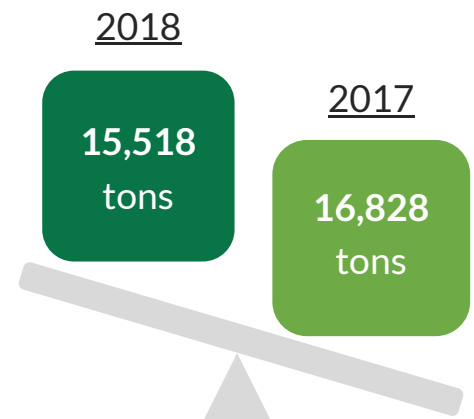
Waste volume increased 4.5% from the prior year. Predicting waste volume can be very difficult from year to year, but the implementation of Flow Control has allowed for less unpredictability. The waste industry as a whole saw increases of 2-3%. For a second year in a row, the Agency had unexpected increases in construction and demolition debris (C&D) as well (included in business self hauler volumes) due to various local buildings being demolished as part of major projects.



Recycling



Composting related volumes have continued to trend upward, especially food waste, as the Agency's composting program continues to evolve. Single stream recycling volumes decreased as dual stream related volumes (news/OCC/commingled) remained consistent due to the effects of increased tip fees for single stream recycling. The remaining municipalities switched from single stream to dual stream, and a few commercial haulers redirected their tonnages to other destinations. Both of these moves were cost related.





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 2019 approved tipping fee rate with relation to its major cost categories. Overall, revenues and expenses are expected to remain constant from the prior year. Minor contractual increases in transportation and disposal costs were offset by lower capital costs and debt service requirements. The result was a flat tip fee of \$103/ton from 2018 to 2019.



*Other

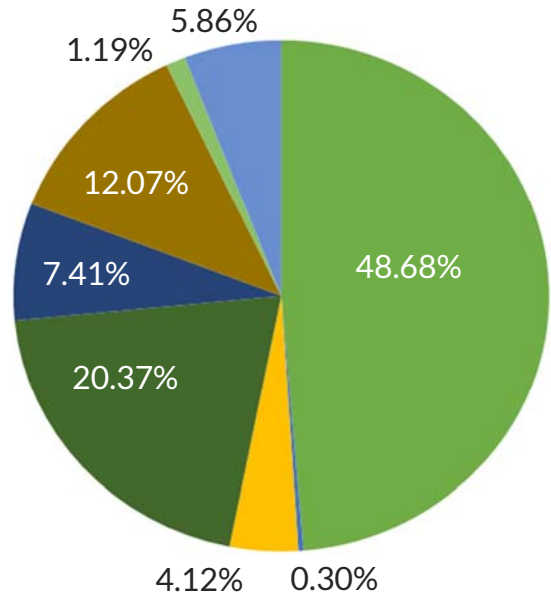
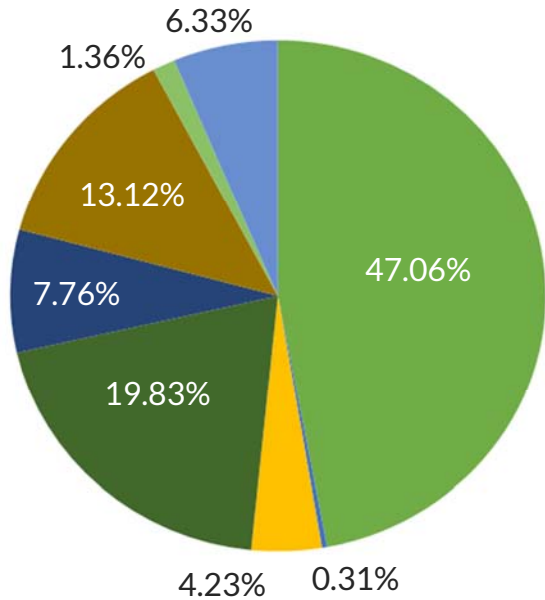
Capital Outlay: \$9

Administrative Costs: \$5

Transfer Stations/Host Community Benefit: \$3



Budget



The Agency completed a very successful 2018 and anticipates consistent continued 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 which expire on December 31, 2019. Based on these major cost certainties and the revenue consistency associated with Flow Control, the Agency is expecting tipping fees to remain static through 2019.

Recycling markets changed dramatically in 2018. Single stream recycling markets eroded and are now a cost to the Agency. This industry change led the Agency to move away from the acceptance of single stream recycling altogether. The outlook for all other recycling markets is trending downward as well.



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

Assets	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and equivalents	\$ 6,466,527	\$ 6,535,205
Investments	2,542,949	2,542,949
Receivables, net of allowance of \$10,598 in 2018 and \$1,249 in 2017	1,867,533	1,562,734
Accrued interest	39,828	39,313
Prepaid expense	375,909	381,073
Total current assets	<u>11,292,746</u>	<u>11,061,274</u>
Capital assets, net	9,893,603	9,430,055
Total assets	<u><u>\$ 21,186,349</u></u>	<u><u>\$ 20,491,329</u></u>
 Deferred outflows of resources		
Unamortized loss on bond defeasement	\$ -	\$ 17,085
Pension - Employees' Retirement System, gross	821,138	637,219
Total Deferred Outflows Of Resources	<u><u>\$ 821,138</u></u>	<u><u>\$ 654,304</u></u>
 Liabilities		
Current liabilities:		
Accounts payable	\$ 571,446	\$ 481,539
Accrued interest	659,815	31,033
Host community benefits payable	14,599	13,332
Customer advances	3,500	5,100
Other payables	50,977	47,120
Current installments of long-term debt	906,067	2,508,499
Current portion of landfill post closure care costs	249,536	186,908
Compensated absences	667,367	611,412
Total current liabilities	3,123,307	3,884,943
Long-term debt, excluding current installments, net of premium	4,686,626	5,592,693
Landfill post closure care costs, excluding current portion	2,245,824	1,869,080
Net pension liability - proportionate share - Employees Retirement System	232,770	702,730
Total Liabilities	<u><u>\$ 10,288,527</u></u>	<u><u>\$ 12,049,446</u></u>
 Deferred inflows of resources		
Pension - Employees' Retirement System, Gross	<u><u>\$ 873,562</u></u>	<u><u>\$ 242,161</u></u>
 Net position (deficit):		
Investments in capital assets	\$ 9,893,603	\$ 9,430,055
Restricted for:		
Debt repayment	2,704,900	3,742,549
Unrestricted (deficit)	<u>(1,753,105)</u>	<u>(4,318,578)</u>
Total Net Position	<u><u>\$ 10,845,398</u></u>	<u><u>\$ 8,854,026</u></u>

The accompanying notes are an integral part of these financial statements

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Statements Of Revenues, Expenses And Changes In Net Position

For The Years Ended December 31

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Charges for sales and services:		
Sales of recyclable materials	\$ 616,538	\$ 842,399
Solid waste service fees	15,299,711	14,368,753
Other revenues	<u>68,661</u>	<u>78,730</u>
Total operating revenues	<u>15,984,910</u>	<u>15,289,882</u>
 Operating expenses:		
Costs of sales and services	8,747,896	7,729,966
Salaries and wages	1,799,432	1,719,900
Administration	636,721	654,073
Depreciation	632,143	612,373
Benefits	<u>998,435</u>	<u>1,046,782</u>
Total operating expenses	<u>12,814,627</u>	<u>11,763,094</u>
 Operating income	<u>3,170,283</u>	<u>3,526,788</u>
 Nonoperating revenue (expenses):		
Investment income	142,482	131,285
Gain on disposal of assets	5,373	13,520
Grant revenue	45,558	40,813
Interest expense	<u>(683,416)</u>	<u>(182,257)</u>
Total nonoperating revenue (expenses)	<u>(490,003)</u>	<u>3,361</u>
 Increase in net position	2,680,280	3,530,149
Increase in estimated liability for landfill post closure care costs	(688,908)	(161,844)
Net position:		
Beginning of year	<u>8,854,026</u>	<u>5,485,721</u>
 End Of Year	<u>\$ 10,845,398</u>	<u>\$ 8,854,026</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>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from services	\$ 15,678,511	\$ 15,406,577
Payments to suppliers	(9,291,369)	(8,445,589)
Payment to employees	<u>(2,757,547)</u>	<u>(2,623,617)</u>
Net cash provided by operating activities	<u>3,629,595</u>	<u>4,337,371</u>
 Cash flows from capital and related financing activities:		
Purchases of capital assets	(1,119,725)	(300,711)
Proceeds from disposal of assets	29,407	13,520
Grant revenue	45,558	40,813
Landfill post closure care costs	(249,536)	(186,908)
Principal paid on long-term debt	(2,508,499)	(2,294,955)
Principal paid on long-term pension	-	(808,067)
Interest paid on long-term obligations	<u>(37,445)</u>	<u>(172,160)</u>
Net cash used in capital and related financing activities	<u>(3,840,240)</u>	<u>(3,708,468)</u>
 Cash flows from investing activities - investment income received	<u>141,967</u>	<u>130,549</u>
 Net increase (decrease) in cash and equivalents	(68,678)	759,452
Cash and equivalents at beginning of year	<u>6,535,205</u>	<u>5,775,753</u>
Cash And Equivalents At End Of Year	<u><u>\$ 6,466,527</u></u>	<u><u>\$ 6,535,205</u></u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,170,283	\$ 3,526,788
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	632,143	612,373
Pension expense	(22,582)	117,528
Changes in:		
Receivables	(304,799)	119,395
Prepaid expenses	5,164	21,729
Accounts payable and other payables	95,031	(83,318)
Customer Advances	(1,600)	(2,700)
Compensated absences	<u>55,955</u>	<u>25,576</u>
Net Cash Provided By Operating Activities	<u><u>\$ 3,629,595</u></u>	<u><u>\$ 4,337,371</u></u>

The accompanying notes are an integral part of these financial statements

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(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

December 31, 2018 And 2017

(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 non-operating 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 four 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

December 31, 2018 And 2017

(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.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(2) Summary of Significant Accounting Policies, (Continued)

(g) Capital Assets

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

(h) Interfund Transfers

During the course of operations, the Agency has 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, 2018, and through March 27, 2019, 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

December 31, 2018 And 2017

(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, 2018, the Agency’s cash equivalents and investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Cash and equivalents	\$5,119,967	\$1,346,560	\$ -	\$6,466,527
Investments	-	<u>2,542,949</u>	-	<u>2,542,949</u>
Total	<u>\$5,119,967</u>	<u>\$3,889,509</u>	<u>\$ -</u>	<u>\$9,009,476</u>

At December 31, 2017, the Agency’s cash equivalents and investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Cash and equivalents	\$4,770,301	\$1,764,904	\$ -	\$6,535,205
Investments	-	<u>2,542,949</u>	-	<u>2,542,949</u>
Total	<u>\$4,770,301</u>	<u>\$4,307,853</u>	<u>\$ -</u>	<u>\$9,078,154</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(4) Capital Assets

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

	2018			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u>
Land	\$ 683,172	\$ 555,000	\$ -	\$ 1,238,172
Buildings	10,714,846	90,110	-	10,804,956
Machinery and equipment	3,942,924	381,400	(303,551)	4,020,773
Trailers	554,155	-	-	554,155
Computers	46,150	10,843	(2,180)	54,813
Software	39,536	2,623	(1,211)	40,948
Vehicles	1,719,189	52,417	-	1,771,606
Furniture and fixtures	78,380	-	(22,023)	56,357
Infrastructure	58,370	3,394	-	61,764
Construction in progress	<u>-</u>	<u>78,938</u>	<u>-</u>	<u>78,938</u>
Total capital assets	<u>17,836,722</u>	<u>1,174,725</u>	<u>(328,965)</u>	<u>18,682,482</u>
Less accumulated depreciation:				
Buildings	3,678,628	286,539		3,965,167
Machinery and equipment	2,749,966	248,597	(224,517)	2,774,046
Trailers	468,422	23,765	-	492,187
Computers	40,109	4,592	(2,180)	42,521
Software	39,536	437	(1,211)	38,762
Vehicles	1,375,621	60,832	-	1,436,453
Furniture and fixtures	46,218	4,378	(22,023)	28,573
Infrastructure	<u>8,167</u>	<u>3,003</u>	<u>-</u>	<u>11,170</u>
Total accumulated depreciation	<u>8,406,667</u>	<u>632,143</u>	<u>(249,931)</u>	<u>8,788,879</u>
Capital Assets, Net	<u>\$ 9,430,055</u>	<u>\$ 542,582</u>	<u>\$ (79,034)</u>	<u>\$ 9,893,603</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(4) Capital Assets, (Continued)

	2017			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u>
Land	\$ 683,172	\$ -	\$ -	\$ 683,172
Buildings	10,632,161	108,685	(26,000)	10,714,846
Machinery and equipment	3,796,205	191,038	(44,319)	3,942,924
Trailers	552,655	1,500	-	554,155
Computers	44,850	1,300	-	46,150
Software	39,536	-	-	39,536
Vehicles	1,684,982	34,207	-	1,719,189
Furniture and fixtures	78,380	-	-	78,380
Infrastructure	53,761	4,609	-	58,370
Construction in process	<u>39,128</u>	<u>-</u>	<u>(39,128)</u>	<u>-</u>
Total capital assets	<u>17,604,830</u>	<u>341,339</u>	<u>(109,447)</u>	<u>17,836,722</u>
Less accumulated depreciation:				
Buildings	3,425,806	278,822	(26,000)	3,678,628
Machinery and equipment	2,554,380	239,905	(44,319)	2,749,966
Trailers	443,157	25,265	-	468,422
Computers	35,665	4,444	-	40,109
Software	39,008	528	-	39,536
Vehicles	1,318,409	57,212	-	1,375,621
Furniture and fixtures	41,324	4,894	-	46,218
Infrastructure	<u>5,364</u>	<u>2,803</u>	<u>-</u>	<u>8,167</u>
Total accumulated depreciation	<u>7,863,113</u>	<u>613,873</u>	<u>(70,319)</u>	<u>8,406,667</u>
Capital Assets, Net	<u>\$ 9,741,717</u>	<u>\$ (272,534)</u>	<u>\$ (39,128)</u>	<u>\$ 9,430,055</u>

(5) Deferred Outflow of Resources

As of December 31, 2018, the Agency had deferred outflows of resources amounting to \$821,138 related to the NYS Employees' Retirement System. See Note (6).

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(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 9.3% to 15.8% of salaries for the years ended December 31, 2018 and 2017. Contributions for the current year and two preceding years were greater than or equal to 100% of the contributions required, and were as follows:

2018	\$ 245,094
2017	1,102,618
2016	343,636

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. During 2017, the Agency decided to pay off its unpaid pension liability in full.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(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, 2018 and 2017, the Agency reported a liability of \$232,770 and \$702,730 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018 and 2017 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, 2018 and 2017, the Agency's proportion was 0.0072122 and 0.0074789 percent, respectively.

For the years ended December 31, 2018 and 2017, the Agency recognized pension expense of \$246,120 and \$356,824, respectively. At December 31, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 83,021	\$ 68,606
Changes of assumptions	154,345	-
Net difference between projected and actual earnings on Plan investments	338,079	667,335
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	599	137,621
Agency's contributions subsequent to the measurement date	<u>245,094</u>	<u>-</u>
Total	<u>\$ 821,138</u>	<u>\$ 873,562</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(6) Retirement Plan, (Continued)

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

	<u>2017</u>	
	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 17,610	\$ 106,714
Changes of assumptions	240,078	-
Net difference between projected and actual earnings on Plan investments	140,364	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	898	135,447
Agency's contributions subsequent to the measurement date	<u>238,269</u>	<u>-</u>
Total	<u>\$ 637,219</u>	<u>\$ 242,161</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(6) Retirement Plan, (Continued)

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

Agency contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2018. 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:

2019	\$ (9,066)
2020	(1,303)
2021	(196,551)
2022	(90,597)

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2017 valuation were as follows:

Inflation	2.5%
Salary scale	3.8% in ERS
Investment rate of return including inflation	7% compounded annually, net of investment expenses
Cost of living adjustments	1.3% annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Sale MP-2014

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(6) Retirement Plan (Continued)

(c) Actuarial Assumptions (Continued)

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 return, net of investment expenses 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Of Return</u>
Domestic equity	36%	4.55%
International equity	14%	6.35%
Private equity	10%	7.50%
Real estate	10%	5.55%
Absolute return strategies	2%	3.75%
Opportunistic portfolio	3%	5.68%
Real assets	3%	5.29%
Bonds and mortgages	17%	1.31%
Cash	1%	(0.25)%
Inflation-indexed bonds	4%	1.25%
	<u>100%</u>	

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(6) Retirement Plan, (Continued)

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 7.0%, 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 1-percentage point lower (6.0%) or 1-percentage point higher (8.0) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Employer’s proportionate share of the net pension asset/(liability)	\$ (1,761,198)	\$ (232,770)	\$ 1,060,219

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of March 31, 2018 were as follows:

	(Dollars in Millions)
	Employees
	<u>Retirement System</u>
Employers’ total pension liability	\$ (183,400)
Plan net position	<u>180,173</u>
Employers’ Net Pension Asset/(Liability)	\$ <u>(3,227)</u>
Ratio of plan net position to the Employers’ total pension asset/(liability)	(98.24%)

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(7) Long-Term Debt

Long-term debt at December 31, 2018 and 2017 consists of the following:

(a) Long-Term Debt

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

(b) Changes

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

	2018				
	Balances			Balances	Due Within
	January 1	Additions	Deductions	December 31	One Year
Serial bonds	\$ 2,400,000	\$ -	\$(2,400,000)	\$ -	\$ -
Capital appreciation bonds	5,448,755	-	-	5,448,755	810,566
Capital lease	<u>236,827</u>	<u>-</u>	<u>(92,889)</u>	<u>143,938</u>	<u>95,501</u>
Subtotal	8,085,582	-	(2,492,889)	5,592,693	906,067
Unamortized premium	<u>15,610</u>	<u>-</u>	<u>(15,610)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,101,192</u>	<u>\$ -</u>	<u>\$(2,508,499)</u>	<u>\$5,592,693</u>	<u>\$906,067</u>
	2017				
	Balances			Balances	Due Within
	January 1	Additions	Deductions	December 31	One Year
Term notes	\$ 140,000	\$ -	\$ (140,000)	\$ -	\$ -
Term bonds	204,990	-	(204,990)	-	-
Serial bonds	4,185,000	-	(1,785,000)	2,400,000	2,400,000
Capital appreciation bonds	5,448,755	-	-	5,448,755	-
Capital lease	<u>370,562</u>	<u>-</u>	<u>(133,735)</u>	<u>236,827</u>	<u>92,889</u>
Subtotal	10,349,307	-	(2,263,725)	8,085,582	2,492,889
Unamortized premium	<u>46,840</u>	<u>-</u>	<u>(31,230)</u>	<u>15,610</u>	<u>15,610</u>
Total	<u>\$10,396,147</u>	<u>\$ -</u>	<u>\$(2,294,955)</u>	<u>\$8,101,192</u>	<u>\$2,508,499</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(7) Long-Term Debt, (Continued)

(c) Maturity

The following is a summary of maturity of indebtedness as of December 31, 2018:

<u>Description of issue</u>	<u>Issue date</u>	<u>Final maturity</u>	<u>Interest rate</u>	<u>Outstanding At 12/31/18</u>
Serial bonds	12/18/2002	03/01/2018	3.75 - 5.25%	\$ -
Serial bonds	07/21/2006	03/01/2021	4.50 - 5.00%	-
Serial bonds	05/25/2012	03/01/2018	2.00 - 3.00%	-
Capital appreciation bonds	12/18/2002	03/01/2025	4.96 - 5.29%	5,448,755
Capital lease	03/23/2016	03/23/2019	3.13%	48,242
Capital lease	03/01/2017	03/01/2020	2.49%	<u>95,696</u>
Total Long-Term Debt, Net				<u>\$ 5,592,693</u>

The maturities of these issues as of December 31, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 906,067	\$ 983,327	\$ 1,889,394
2020	809,974	1,029,668	1,839,642
2021	714,371	1,075,629	1,790,000
2022	669,066	1,120,934	1,790,000
2023	628,129	1,161,871	1,790,000
2024 - 2025	<u>1,865,086</u>	<u>3,969,914</u>	<u>5,835,000</u>
	<u>\$5,592,693</u>	<u>\$9,341,343</u>	<u>\$14,934,036</u>

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

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(7) Long-Term Debt, Continued

(d) Advance Refunding of Debt

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 the 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, 2018 amounted to \$-0-

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.

(e) Callable Bonds

The Agency issued bonds in 2006 with a final maturity date of 3/1/2021. In December 2017, the Board of Directors approved a resolution to call these bonds on 3/1/2018. This payment was made with the regularly scheduled debt service payments that were due on the same date.

(8) Customer Advances

As of December 31, 2018 and 2017, the Agency had advances amounting to \$3,500 and \$5,100, respectively.

The December 31, 2018 and 2017 balances consist of payments received from customers in 2018 for their 2019 permits and payments received from customers in 2017 for their 2018 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:

	<u>2018</u>	<u>2017</u>
General unrestricted	\$ 6,334,948	\$ 5,838,602
Related to outstanding debt	(5,592,693)	(8,101,192)
Landfill post-closure care costs	<u>(2,495,360)</u>	<u>(2,055,988)</u>
Total	<u>\$ (1,753,105)</u>	<u>\$ (4,318,578)</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(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 \$667,367 and \$611,412 as of December 31, 2018 and 2017, respectively.

(11) Contingencies

Contingencies at December 31, 2018 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 2018 and 2017, the annual post-closure monitoring and maintenance cost for both landfills was \$249,536 and \$186,908, respectively. 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 the two remaining landfills, are \$249,536 for each of the remaining 10 years as follows:

	<u>Ulster Landfill</u>	<u>New Paltz Landfill</u>	<u>Total</u>
Environmental monitoring	\$ 7,030	\$ 5,565	\$ 12,595
Leachate disposal	116,700	100,140	216,840
Facility maintenance	<u>11,988</u>	<u>8,113</u>	<u>20,101</u>
Total Annual Cost	<u>\$135,718</u>	<u>\$113,818</u>	<u>\$249,536</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(11) Contingencies, (Continued)

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

The liability for landfill post-closure care costs at December 31, 2018 consists of the following:

Total annual cost	\$ 249,536
Remaining years	<u>10</u>
Total liability	2,495,360
Less current portion	<u>(249,536)</u>
Landfill Post-Closure Care Costs, Excluding Current Portion	<u>\$ 2,245,824</u>

(c) 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.

(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% reimbursements of Agency disbursements with regards to operating this program. No funds were received for this program during the year ended December 31, 2018 or December 31, 2017.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes To Financial Statements

December 31, 2018 And 2017

(13) Grant Revenue, (Continued)

(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 \$45,558 and \$40,813 for this program during the year ended December 31, 2018 and 2017, respectively.



REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

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>2014*</u>	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>
Contractually required contribution	\$ 286,843	\$ 288,993	\$ 242,378	\$ 238,269	\$ 245,094
Contributions in relation to the contractually required contribution	<u>286,843</u>	<u>288,993</u>	<u>242,378</u>	<u>238,269</u>	<u>245,094</u>
Contribution Deficiency (Excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
UCRRA's covered-employee payroll	\$1,463,482	\$1,512,837	\$1,553,441	\$1,530,091	\$1,656,723
Contributions as a percentage of covered-employee payroll	19.60%	19.10%	15.60%	15.57%	14.79%

* 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>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>
UCRRA's proportion of the net pension (liability) asset	0.0079561%	0.0080119%	0.0074789%	0.0072122%
UCRRA's proportionate share of the net pension (liability) asset required contribution	\$(268,777)	\$(1,285,934)	\$(702,730)	\$(232,770)
UCRRA's covered-employee payroll	\$1,512,837	\$ 1,553,441	\$1,530,091	\$1,656,723
UCRRA's proportionate share of the net pension (liability) asset as a percentage of its covered-employee payroll	17.77%	82.78%	45.93%	14.05%
Plan fiduciary net position as a percentage of the total pension liability	97.95%	90.69%	94.70%	98.24%

*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



**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit
Of Financial Statements Performed In Accordance
With *Government Auditing Standards***

To The Board Of Directors
Ulster County Resource Recovery Agency

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, 2018, 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 27, 2019.

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.

Teal Becker, Charmonite, CPA PC

Albany, New York

March 27, 2019



**Independent Auditor's Report on Compliance
With Laws and Regulations Related to
Investment Guidelines for Public Authorities**

March 27, 2019

To The Board Of Directors
Ulster County Resource Recovery Agency

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 years ended December 31, 2018 and 2017, 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 27, 2019.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with the Agency's Investment Guidelines, and the New York State (NYS) Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the Investment Guidelines), which is the responsibility of the Agency's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the Investment Guidelines, insofar as they related to accounting matters.

This report is intended solely for the information and use of the Board of Directors, management, and the New York State Comptroller's Office and is not intended to be and should not be used by anyone other than those specified parties.



Statistical Section

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents	Page
<u>Financial Trends</u>	58-60
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	62
These schedules contain information to help the reader assess the Authority's most significant local revenue source, the municipal solid waste.	
<u>Debt Capacity</u>	64
These schedules present information to help the reader assess the affordability of outstanding debt and the Authority's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	66-67
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
<u>Operating Information</u>	69-71
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	



Financial Trends



Changes in Net Position

	Beginning Net Position	Change in Net Position	Change in Est. of Post Closure	End Net Position
2018	\$8,854,026	2,680,280	(688,908)	10,845,398
2017	\$5,485,721	3,530,149	(161,844)	8,854,026
2016	\$2,164,840	3,142,586	178,295	5,485,721
*2015	\$1,793,471	3,752,469	205,842	2,164,840
2014	\$(4,629,040)	2,456,135	738,960	1,433,945
2013	\$(5,150,105)	1,757,849	(1,236,784)	(4,629,040)
*2012	\$(8,497,808)	2,712,226	635,477	(5,150,105)
*2011	\$(9,152,167)	1,865,083	(997,920)	(8,285,004)
2010	\$(11,592,255)	2,385,153	1,215,601	(7,991,501)
2009	\$(12,396,551)	1,722,996	(918,700)	(11,592,255)

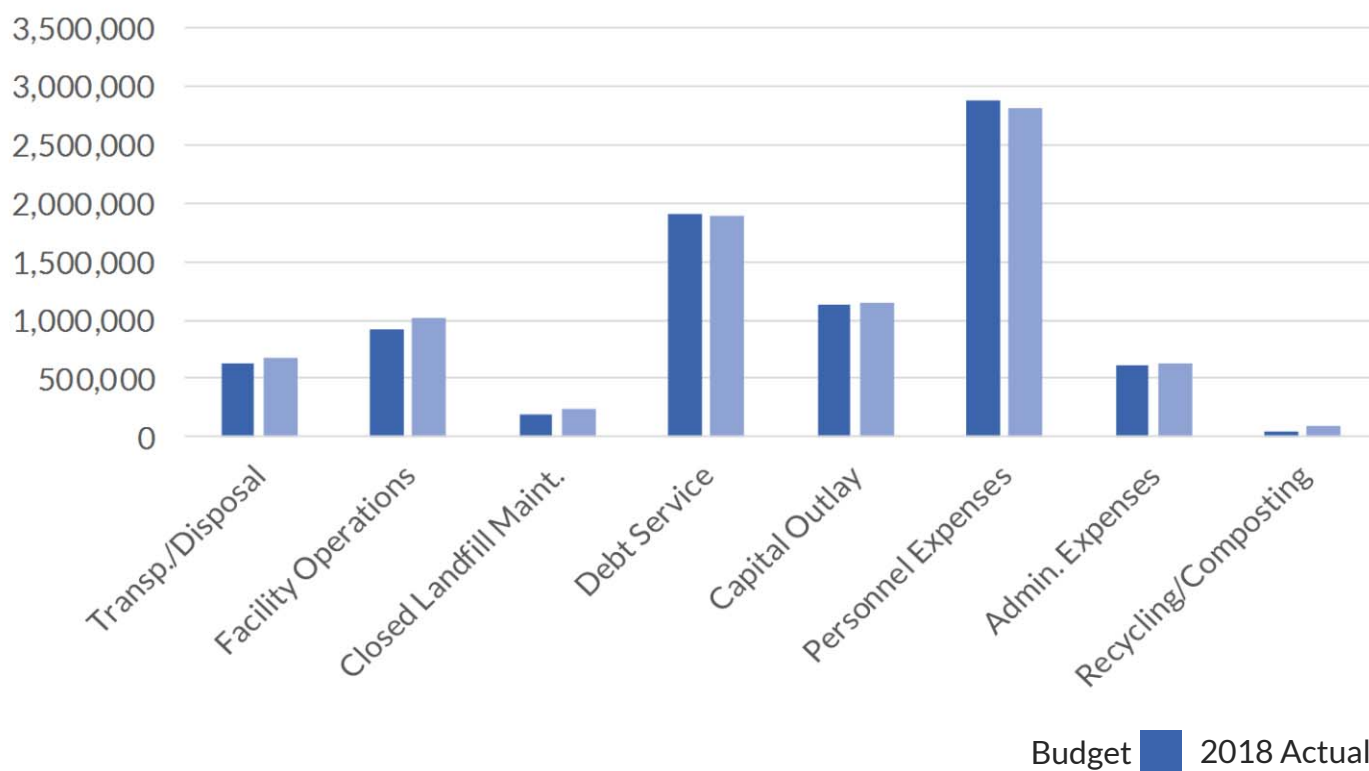
*Includes restatement of beginning balance due to change in accounting principal/prior period adjustment



Budget vs. Actual Expenses

	2018 Budget	2018 Actual	Variance	2017 Budget	2017 Actual	Variance
Transportation/Disposal	\$621,216	673,227	(52,011)	660,575	708,934	(48,359)
Facility Operations	\$921,639	1,018,754	(97,115)	882,074	958,971	(76,897)
Closed Landfill Maintenance	\$197,600	247,030	(49,430)	205,760	191,650	14,110
Debt Service	\$1,909,825	1,896,550	13,275	2,259,360	2,259,360	-
Capital Outlay	\$1,129,394	1,146,533	(17,139)	714,089	427,178	286,911
Personnel Expenses	\$2,885,427	2,820,449	64,978	2,723,598	3,520,887	(797,289)
Administration Expenses	\$615,575	620,280	(4,705)	\$586,216	631,980	(45,764)
Recycling/Composting	\$45,000	88,654	(43,654)	\$35,000	41,247	(6,247)

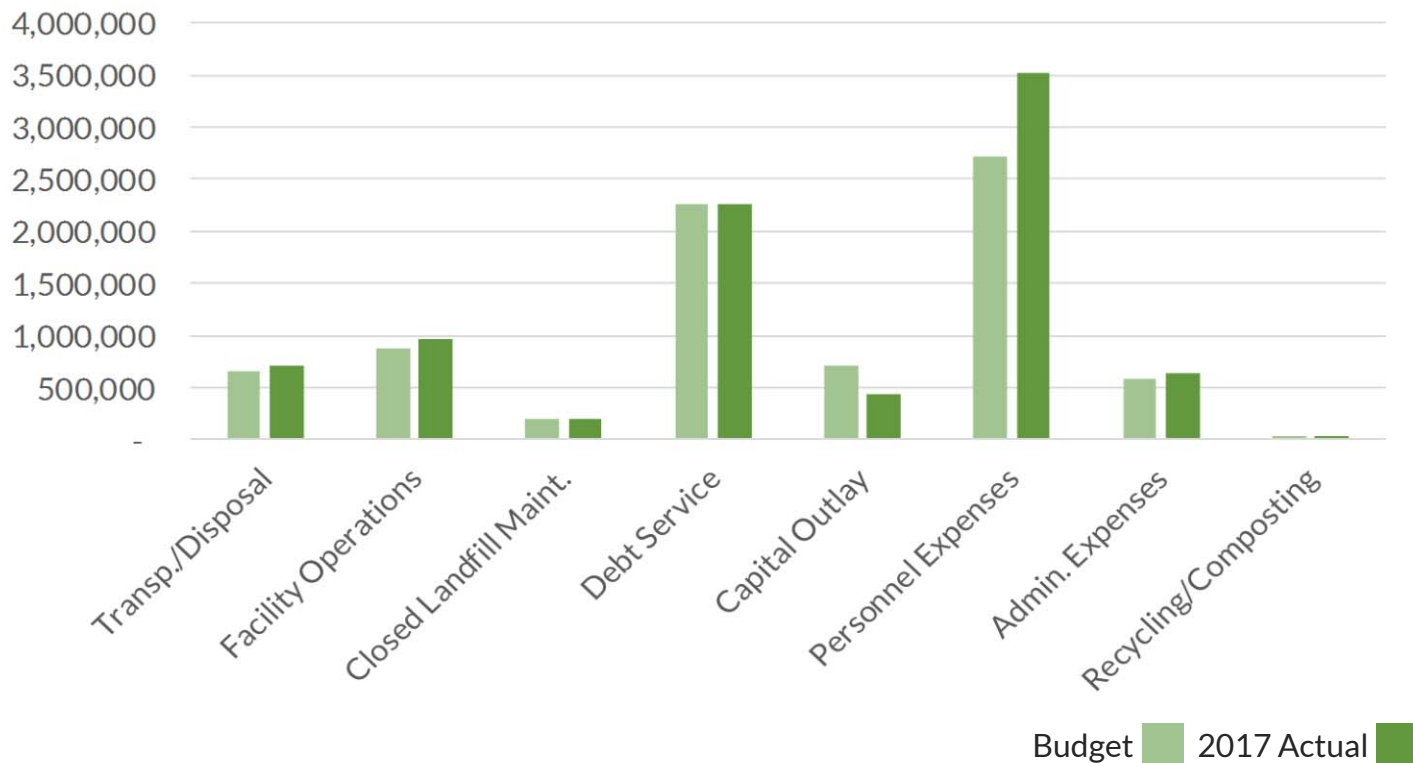
2018





Budget vs. Actual Expenses (continued)

2017



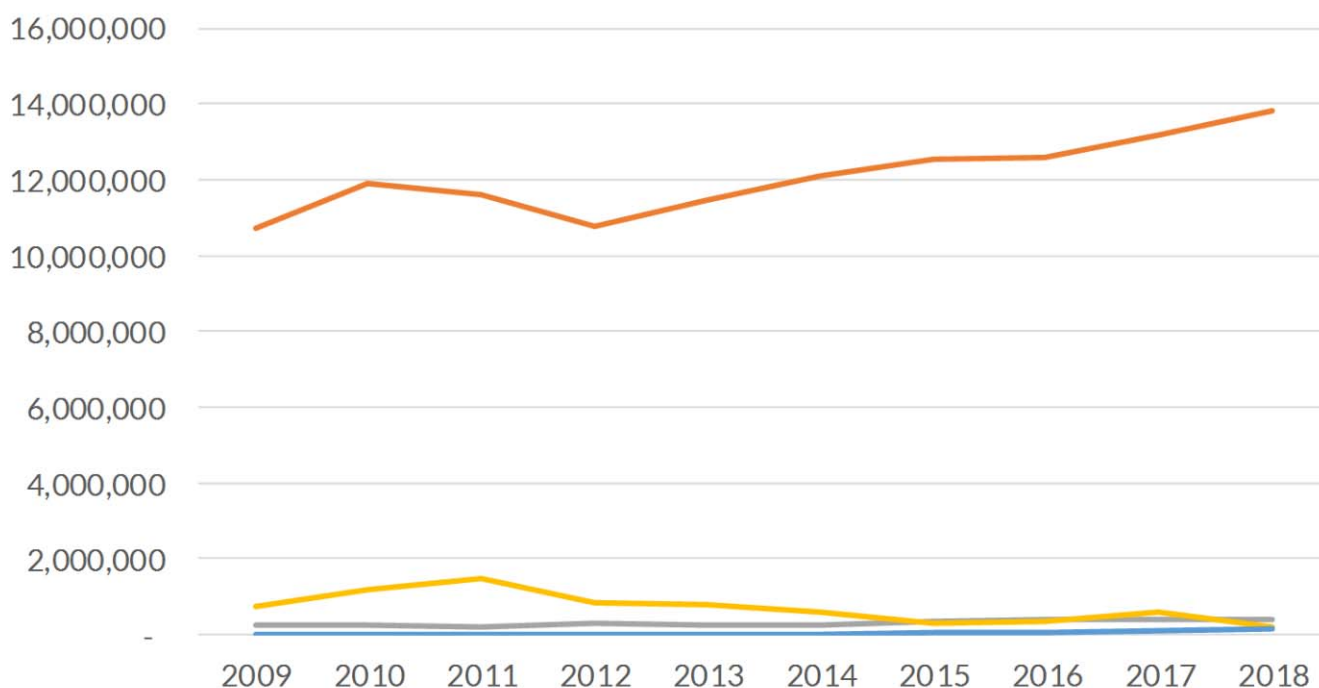
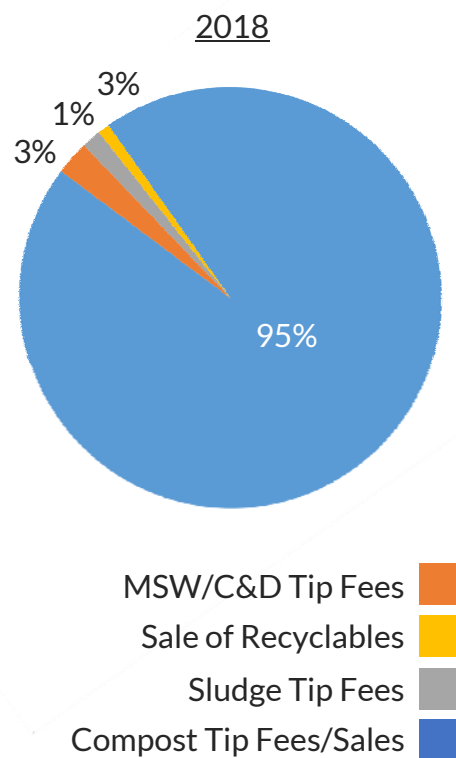


Revenue Capacity



Revenues by Source

	MSW/C&D Tip Fees	Sludge Tip Fees	Sale of Recyclables	Compost Tip Fees/Sales
2018	13,817,254	379,652	217,692	130,336
2017	13,178,205	409,460	604,841	102,856
2016	12,581,355	409,909	371,673	61,741
2015	12,526,726	344,938	282,568	42,500
2014	12,082,491	235,235	600,216	27,292
2013	11,453,508	252,098	798,012	26,054
2012	10,775,871	275,702	837,749	7,079
2011	11,593,725	221,674	1,459,244	-
2010	11,918,544	229,294	1,187,915	-
2009	10,711,866	228,166	729,641	-





Debt Capacity



Revenue Bond Coverage

Fiscal Year	Revenue	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Service Coverage Ratio
				Principal	Gross Interest	Total	
2018	\$16,073,467	13,669,577	2,403,890	1,850,000	46,550	1,896,550	1.27
2017	\$15,446,543	12,534,968	2,911,575	2,130,000	129,360	2,259,360	1.29
2016	\$14,416,253	11,537,953	2,878,300	2,130,000	202,178	2,332,178	1.23
2015	\$14,050,247	10,536,613	3,513,634	2,070,000	270,543	2,340,543	1.50
2014	\$14,256,770	11,487,473	2,769,297	2,455,000	339,522	2,794,522	0.99
2013	\$13,820,022	11,616,139	2,203,883	2,425,000	415,752	2,840,752	0.78
2012	\$15,098,880	12,222,165	2,876,715	2,250,000	498,566	2,748,566	1.05
2011	\$16,218,509	13,486,599	2,731,910	2,175,000	672,581	2,847,581	0.96
2010	\$15,975,879	12,481,242	3,494,637	2,360,000	748,724	3,108,724	1.12
2009	\$14,576,883	11,547,976	3,028,907	2,325,000	828,020	3,153,020	0.96



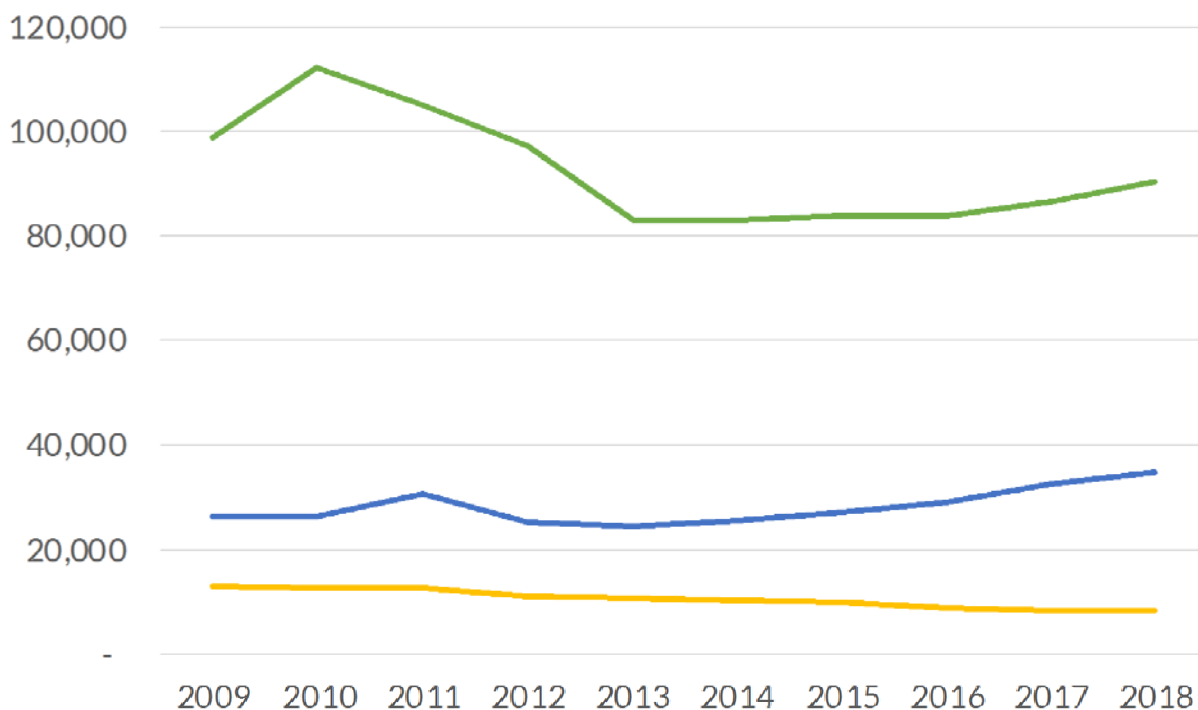
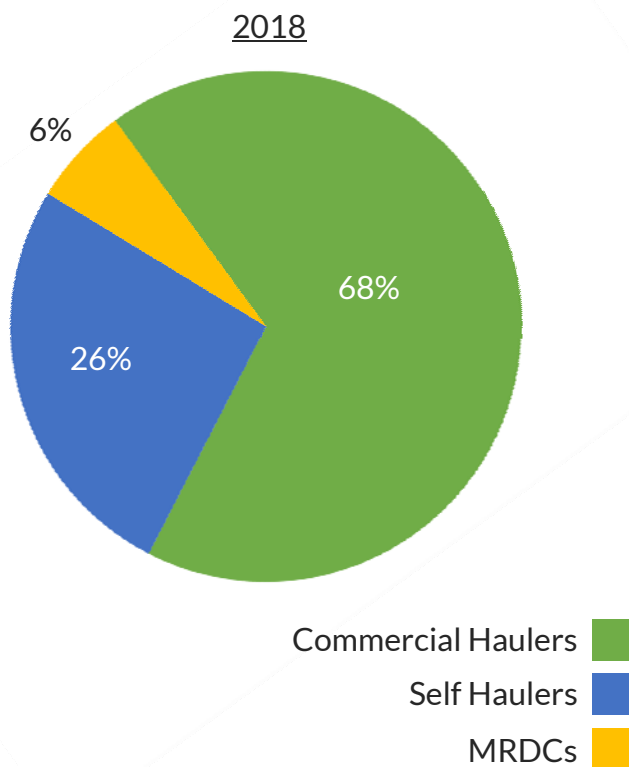
Demographic and Economic Information



MSW/C&D Tonnages by Source

	Commercial Haulers	Self Haulers	MRDCs
2018	90,158	34,897	8,294
2017	86,362	32,491	8,343
2016	83,847	29,216	8,305
2015	83,651	27,403	9,813
2014	82,852	25,558	10,471
2013	83,099	24,519	10,525
2012	97,230	25,111	11,119
2011	104,937	30,526	12,655
2010	112,324	26,363	12,635
2009	98,579	26,441	13,057

All units in tons

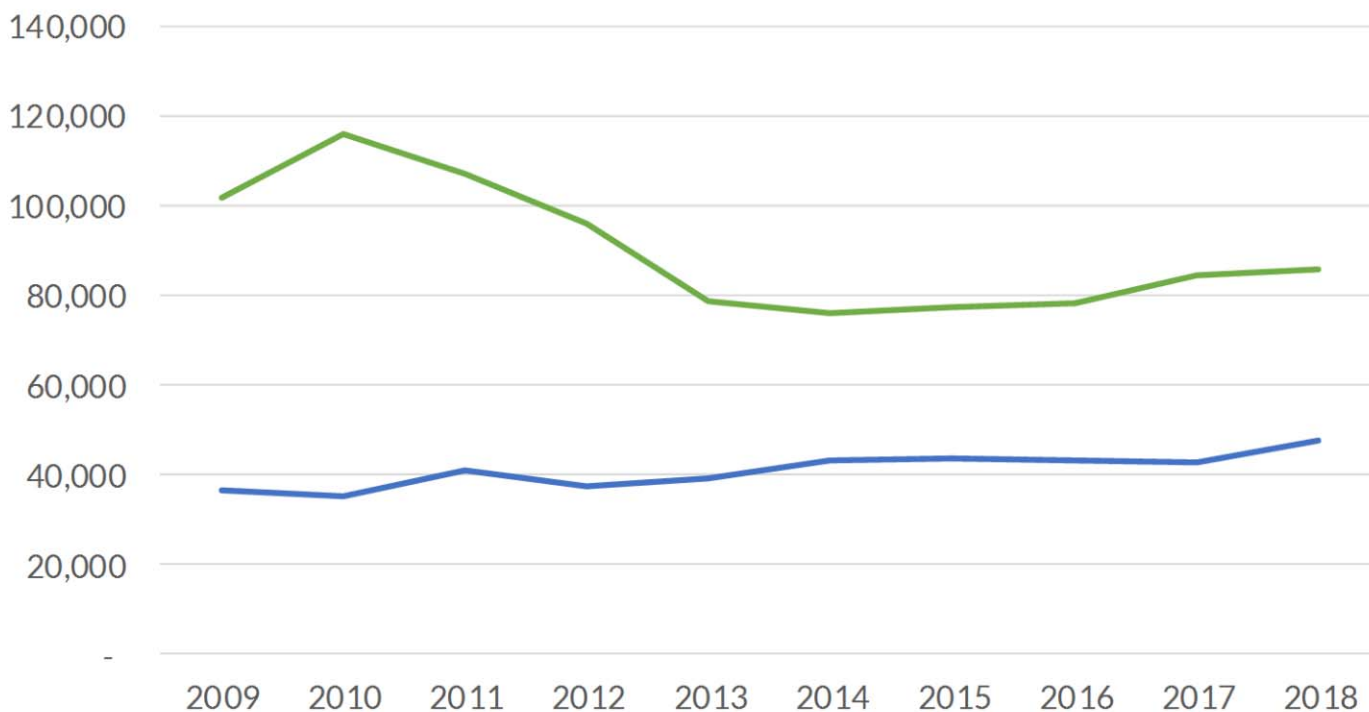
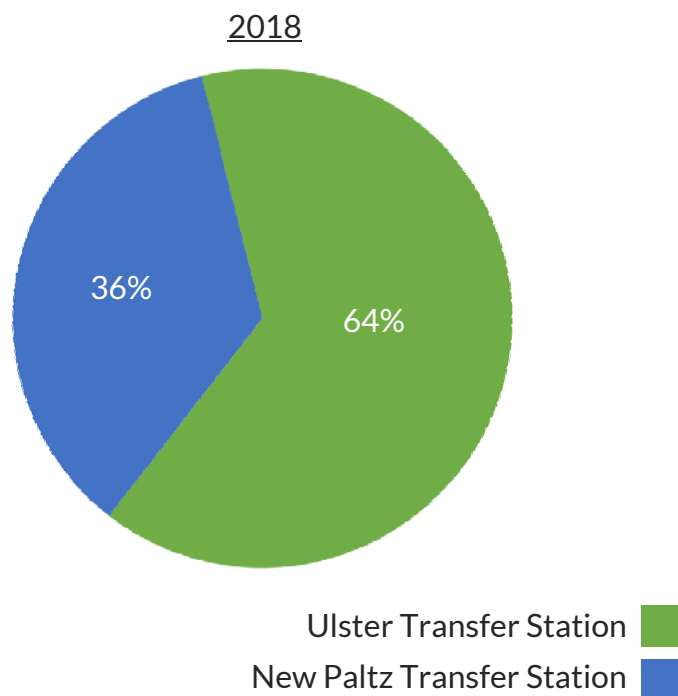




MSW/C&D Tonnages by Facility

	Ulster Transfer Station	New Paltz Transfer Station
2018	85,873	47,476
2017	84,370	42,826
2016	78,215	43,152
2015	77,272	43,596
2014	75,984	42,914
2013	78,813	39,326
2012	96,036	37,424
2011	106,861	40,938
2010	115,978	35,338
2009	101,551	36,525

All units in tons





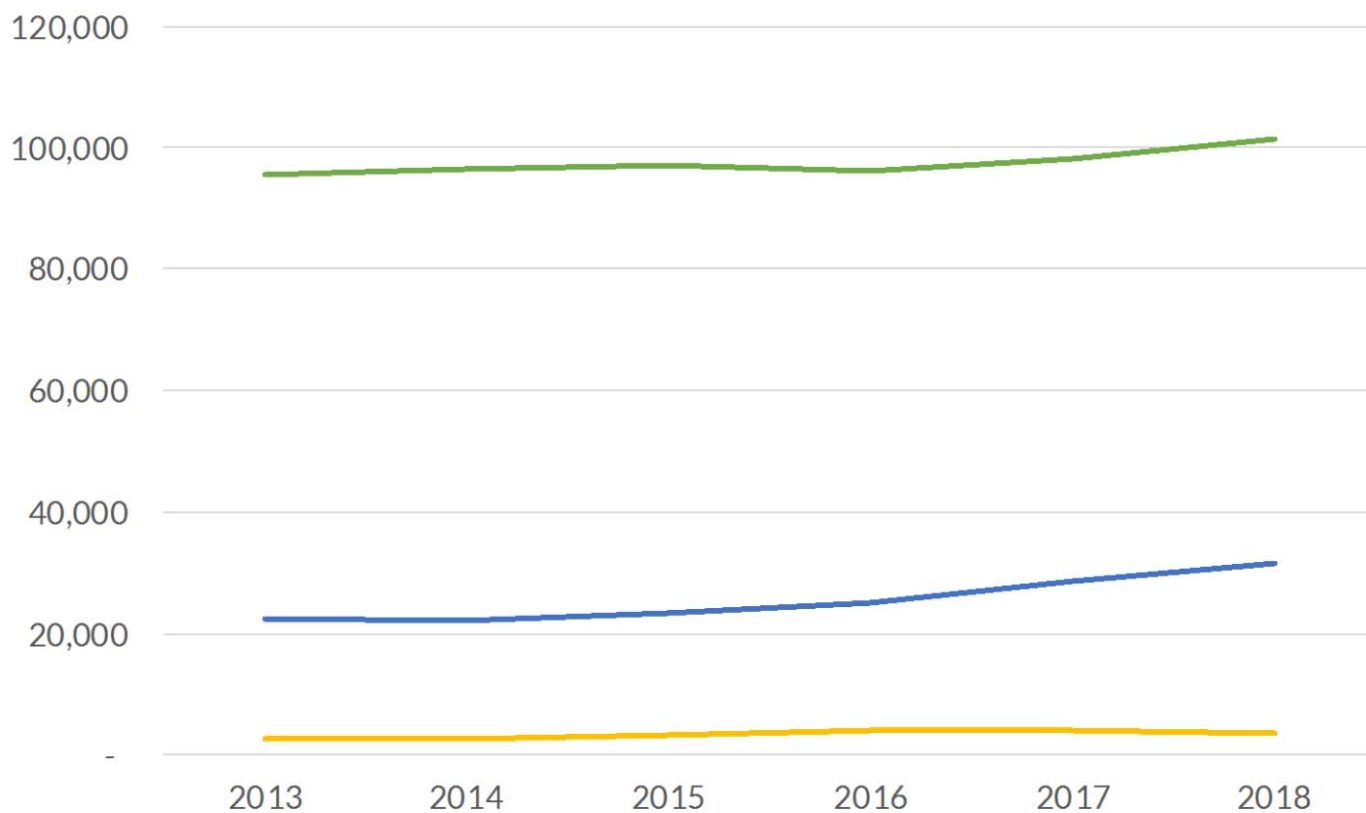
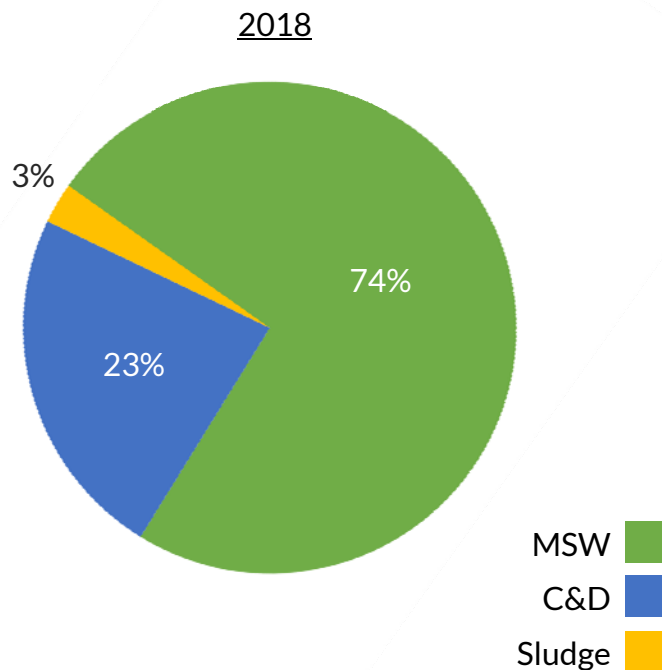
Operating Information



Solid Waste Tonnages by Category

	MSW	C&D	Sewage Sludge	Total
2018	101,379	31,970	3,686	137,035
2017	98,265	28,931	3,975	131,171
2016	96,098	25,269	3,979	125,346
2015	97,306	23,563	3,350	124,219
2014	96,544	22,337	2,644	121,525
2013	95,486	22,654	2,654	120,794

All units in tons





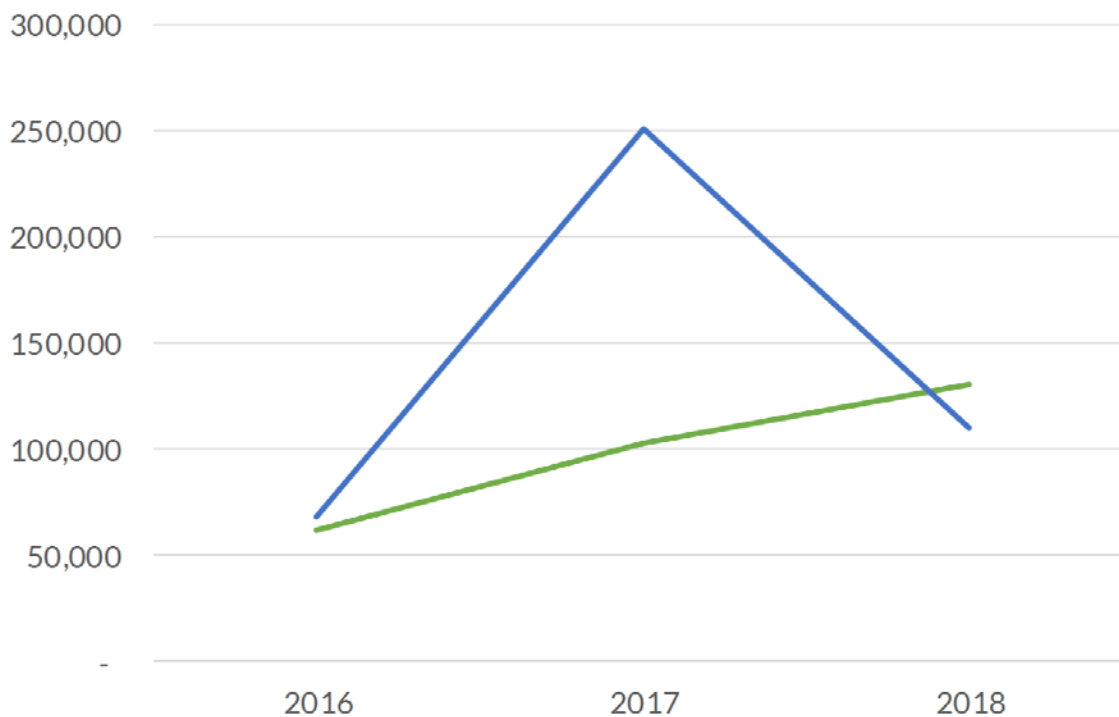
MRF Cost Center Analysis

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Recycling Service Fees	\$376,500	252,287	210,963	121,513	5,317	-	-	-	151,576	286,245
Sales of Processed Recyclables	\$711,044	1,165,973	1,438,023	774,415	754,780	571,279	263,147	351,853	565,231	164,842
Total Revenues	\$1,087,544	1,418,260	1,648,986	895,928	760,097	571,279	263,147	351,853	716,807	451,087
Transportation/ Disposal Costs	\$117,232	110,852	123,615	9,493	898	180	154	340	888	378,278
Personnel Expenses	\$653,370	641,291	539,917	386,455	328,238	305,629	294,366	309,841	312,544	349,848
Operating Costs	\$226,658	200,847	184,388	160,632	121,104	122,756	110,464	78,729	96,263	111,262
Total Expenses	\$997,260	952,990	847,920	556,580	450,240	428,565	404,984	388,910	409,695	839,388
Excess (Deficient) Revenue Over Expenses	\$90,284	465,270	801,066	339,348	309,857	142,714	(141,837)	(37,057)	307,112	(388,301)



Compost Cost Center Analysis

	2016	2017	2018
Tipping Fees	\$36,016	73,978	88,838
Compost Sales	\$25,725	28,878	41,496
Total Revenues	\$61,741	102,856	130,334
Personnel Expenses	\$21,236	34,485	52,651
Operating Costs	\$7,212	11,565	51,112
Capital Outlay	\$39,128	204,880	6,130
Total Expenses	\$67,576	250,930	109,893
Excess (Deficient) Revenue Over Expenses	\$(5,835)	(148,074)	20,441



Total Revenues ■
 Total Expenses ■