

Ulster County Resource Recovery Agency

Comprehensive Annual Financial Report
for the Years Ended December 31, 2019 and 2018



A Component Unit
of the County of Ulster



Ulster County Resource Recovery Agency
A Component Unit of the County of Ulster
Kingston, NY
www.UCRRRA.org

Comprehensive Annual Financial Report

Years Ended December 31, 2019 and 2018

Prepared by the
Accounting Department

Timothy DeGraff, CPA
Controller

Brenna Whitaker
Administrative Assistant



Table of Contents

Contents	Pages
1. <u>Introductory Section</u>	
• Letter of Transmittal	2-6
• List of Board Members and Management	7
• Organizational Chart	8
• Certificate of Achievement for Excellence in Financial Reporting	9
• Town and UCRRA Facilities	10
• Glossary of Terms	11-12
2. <u>Financial Section</u>	
• Independent Auditors Report	14-15
• Management’s Discussion and Analysis	16-29
• Financial Statements	
• Statements of Net Position	30
• Statement of Revenues, Expenses, and Changes in Net Position	31
• Statements of Cash Flows	32
• Notes to Financial Statements	33-50
• Required Supplementary Information	
• Schedule of Agency’s Contributions	52
• Schedule of Agency’s Proportionate Share of Net Pension Liability	53
• 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	54-55
• Independent Auditor’s Report on Compliance With Laws and Regulations Related to Investment Guidelines for Public Authorities	56



Table of Contents (continued)

Contents	Pages
3. <u>Statistical Section</u>	
• Financial Trends	
• Changes in Net Position	59-60
• Budget vs. Actual Expenses	61-62
• Revenue Capacity	
• Revenues by Source	64
• Debt Capacity	
• Revenue Bond Coverage	66
• Demographic and Economic Information	
• MSW/C&D Tonnages by Source	68
• MSW/C&D Tonnages by Facility	69
• Operating Information	
• Solid Waste Tonnages by Category	71
• MRF Cost Center Analysis	72
• Compost Cost Center Analysis	73



Introductory Section

Contents	Pages
----------	-------

Introductory Section

- | | |
|--|-------|
| • Letter of Transmittal | 2-6 |
| • List of Board Members and Management | 7 |
| • Organizational Chart | 8 |
| • Certificate of Achievement for Excellence in Financial Reporting | 9 |
| • Town and UCRRA Facilities | 10 |
| • Glossary of Terms | 11-12 |

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Board of Directors

Frederick Wadnola, M.S.Ed., C.A.S., Chairman
Katherine Beinkafner, Ph.D., P.G., Vice Chairwoman
Charles Landi, Treasurer
JoAnne Myers, Ph.D., Member
Lisa Mitten, LEED GA, MPP, MS-Ed., EMIT, 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, Director of Operations and Safety
Angelina Peone, Recycling Coordinator
Melinda France, Recycling Educator
Amy Lopiano, Chief Accounting Clerk

Phone: (845) 336-0600
Fax: (845) 336-4129

March 31, 2020

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, 2019 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 & Chiaramonte, 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 & Chiaramonte, CPAs, P.C., have issued an unmodified ("clean") opinion on the Agency's financial statements for the years ended December 31, 2019 and 2018. 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 NYS DOS 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, Director of Operations and Safety, 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 (plus a fuel surcharge), tipping fees and their corresponding revenues regularly amount to over 90% of total operating revenues. Expenditures related to volume (transportation costs, disposal costs, host community fees) regularly amount to over 60% of total operating expenses. Fluctuations in volume can have a major impact on the Agency's finances, but since the Agency started enforcing 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. Over

the past two years, solid waste volume has increased at the Agency. MSW volume has only increased 2-3%, while C&D volume has increased by 22% over this time, which has had a positive effect 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 fiber (mixed newspapers and old corrugated cardboard (“OCC”)) in separate containers, while other recyclables, such as plastic, glass, 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 and an increase in costs as SSR has no value. The Agency stopped accepting SSR on April 1, 2019.

With contracts in place, the Agency expects to receive the dual-stream recycling from municipalities, allowing the MRF to be on solid fiscal ground when market conditions are favorable. These contracts will be up for negotiations during 2020. The fiscal year 2019 saw a further downturn in market prices from 2018 for mixed newspaper and OCC. Mixed newspaper bottomed out in 2018 at \$0 per ton, and by the end of fiscal year 2019 was going to become a cost to the Agency. OCC reached a low in 2018 of \$50 per ton, and further decreased in 2019 as it ranged between \$10 and \$30 per ton. Plastic prices remained favorable throughout 2019 and sold volume increased by 122% due to the ending of SSR which led to increased commingle volumes.

As the recycling industry continues to deal with challenges worldwide, the Agency’s composting program continues to grow, helping to ease the burden of recycling volume losses. Food waste makes up approximately 22% of the waste stream. Diverting this volume from the landfill has become and will continue to be a major goal of the Agency and New York State. Intake of food waste has increased 262% over the last three years, and 31% from 2018. Compost has historically been sold in bulk only, but the Agency purchased a bagging machine in 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. Our Town of Ulster scale house was equipped with a new video intercom system allowing the scale house operator and management to communicate with customers on the scale both visually and verbally. The security camera system was evaluated and improved with camera additions, upgrades, and changes in location for better coverage of Agency property. The replacement of fuel pumps at the Agency’s fuel depot were completed in 2019. 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. Household Hazardous Waste (HHW) events are held three times per year and the Agency is planning on installing an FM transmitter to disseminate information to event attendees as they wait for their appointment time. The Agency continued to replace vital equipment and vehicles by purchasing a new excavator and two new roll-off trucks.

The Agency is required to develop and approve a five year capital plan on an annual basis. A major component of this plan is the routine replacement of large equipment. In the past five 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 that came to an end on December 31, 2019. The bid results led to a substantial increase in costs for the next five years. In order to help offset these increases, the Agency initiated its planned reduction of its annual capital budget.

During 2018, the Agency purchased two adjacent pieces of property to its Town of Ulster facility. The Agency intends 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, an HHW collection facility, a new electronics collection area, and a new, larger composting facility. During 2019, the Agency began working with an engineering firm to develop the plans for this new Eco Park area and will continue its progress throughout 2020.

A major initiative in 2019 was the in 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 Members, Agency Executive Director, and Ulster County Legislators. The SWMP draft was completed and submitted to the NYS Department of Environmental Conservation for review. The Agency hopes to have this approved and implemented mid-2020.

Major initiatives for 2020 relate to various Agency operations and departments. In an effort to complete projects both big and small "in house", and to better maintain Agency property, the following equipment was purchased at the end of 2019 and the beginning of 2020: towmaster trailer, lowboy trailer, bulldozer, and a roller. A compost bagging machine and one cubic foot bags were purchased in an effort to expand the sale of compost to a wider array of customers as compost can only be purchased in bulk at a minimum cost of one yard. The Agency also purchased 100 totes that will be available to businesses for leasing purposes. This will allow them to implement their own food waste diversion programs and establish better diversion practices prior to the point of collection. Another way the Agency is promoting the diversion of food waste from the solid waste stream is through public outreach. The Agency's recycling department has secured a Food Scraps Recycling grant for the upcoming year and plan to use the funds to assist with informing the public about home composting.

RELEVANT FINANCIAL POLICIES

The Agency's operating budget is used to calculate the tipping fee for the ensuing 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. 2019 tonnages were 6.9% 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 \$3,481,612 in reserves. The Agency had an Operating Reserve balance of \$3,407,986 and an excess Debt Service Reserve balance of \$1,361,582 as of September 1, 2019. Based on these amounts, the Agency sufficiently funded its reserves during the 2019 fiscal year.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Agency for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the first year that the Agency submitted for and received this prestigious award. In order to receive this award a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this 2019 CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for a certificate.

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 Chiaramonte, CPAs, P.C., the Agency's independent auditors.

Respectfully submitted,



Timothy B. Rose, P.E.
Executive Director



Timothy DeGraff, CPA
Controller



Agency Board Members and Management As of December 31, 2019

Board Members	Agency Management
---------------	-------------------

Fred Wadnola, M.S.Ed., C.A.S. Chair Term Expires: 12/31/2020	Timothy Rose, PE, BCEE, QEP, MPA Executive Director
---	---

Katherine Beinkafner, Ph.D., P.G. Vice Chair Term Expires: 12/31/2022	Timothy DeGraff, C.P.A. Controller
--	--

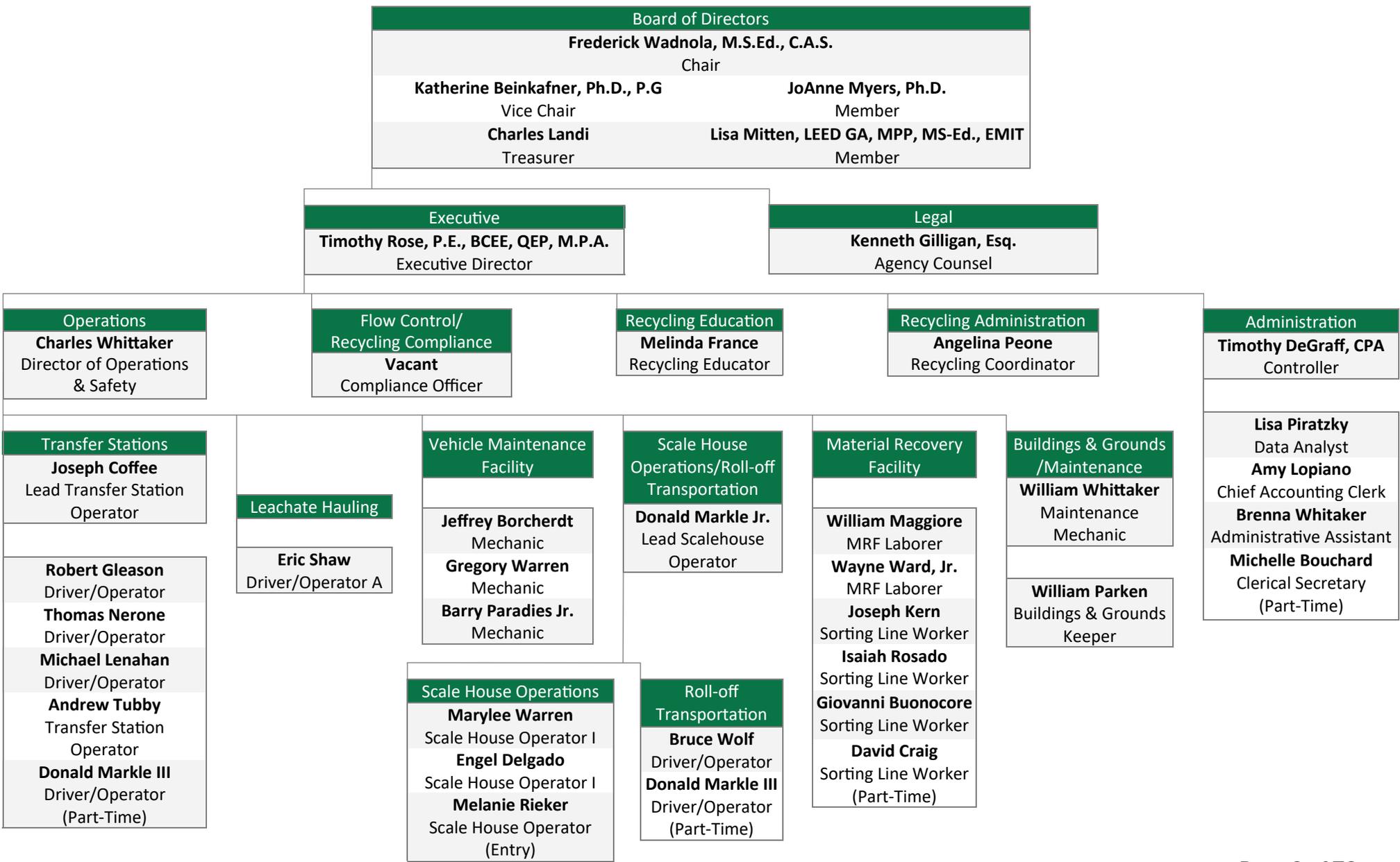
Charles Landi Treasurer Term Expires: 12/31/2022	Charles Whittaker Director of Operations & Safety
---	---

JoAnne Myers, Ph.D Member Term Expires: 12/31/2021	Kenneth Gilligan, Esq. Agency Counsel
---	---

Lisa Mitten, LEED GA, MPP, MS-Ed., EMIT Member Term Expires: 12/31/2021	
--	--



Agency Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Ulster County
Resource Recovery Agency
New York

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

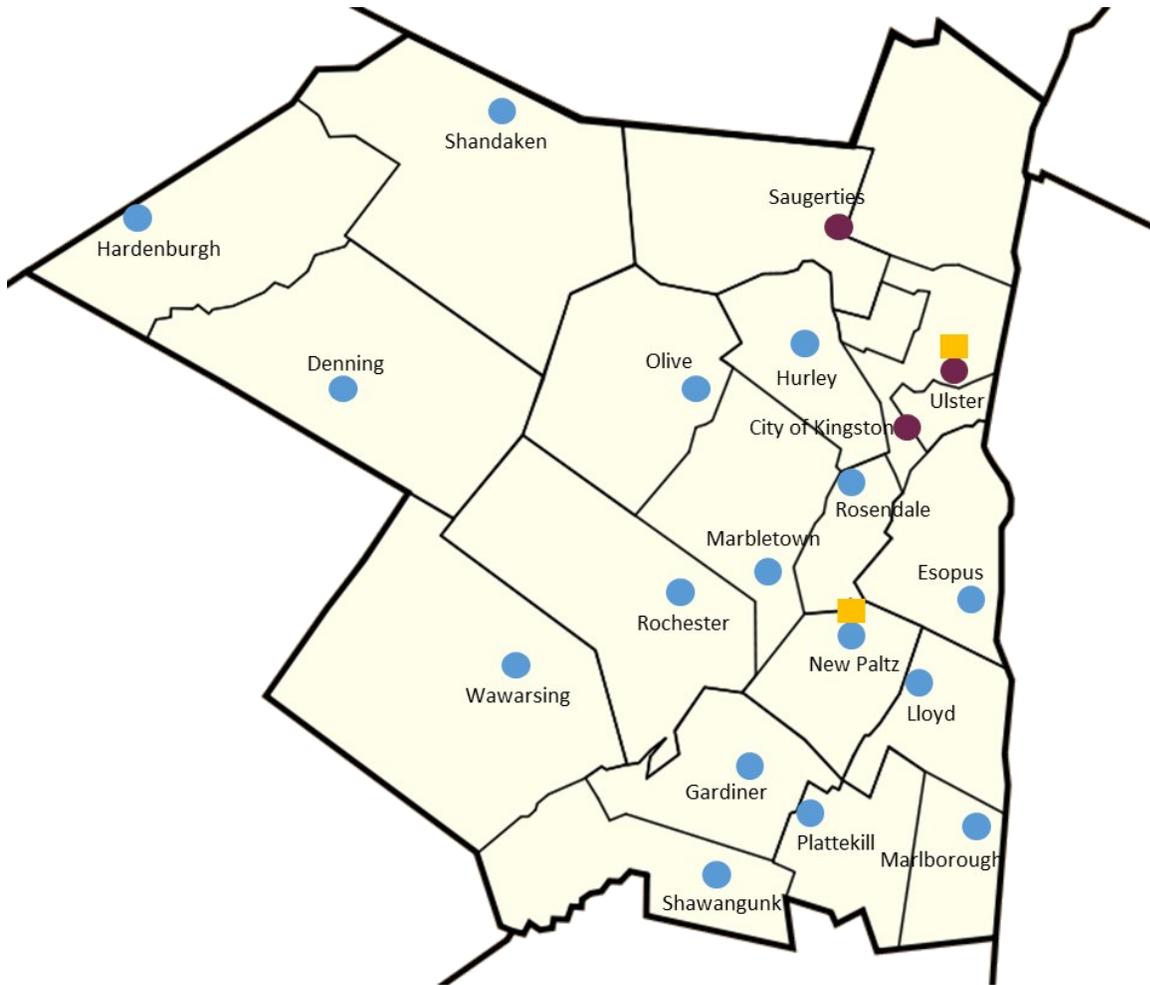
December 31, 2018

Christopher P. Morvill

Executive Director/CEO



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 fiber (newspaper, mixed paper, (e.g., junk mail, cereal boxes, home office paper, etc.) and OCC (old corrugated cardboard) is separated into a different container from all other recyclables (food/beverage containers, aluminum/steel cans, glass bottles/jars, and certain plastics). 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

Contents	Pages
<u>Financial Section</u>	
• Independent Auditors Report	14-15
• Management’s Discussion and Analysis	16-29
• Financial Statements	
• Statements of Net Position	30
• Statement of Revenues, Expenses, and Changes in Net Position	31
• Statements of Cash Flows	32
• Notes to Financial Statements	33-50
• Required Supplementary Information	
• Schedule of Agency’s Contributions	52
• Schedule of Agency’s Proportionate Share of Net Pension Liability	53
• 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	54-55
• Independent Auditor’s Report on Compliance With Laws and Regulations Related to Investment Guidelines for Public Authorities	56



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 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ulster County Resource Recovery Agency, as of December 31, 2019 and 2018, 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 16 through 29 and 52 and 53 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 12, and the statistical section on pages 57 through 73, 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 31, 2020, 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 solely 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.

Teal 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.



Communications & Public Outreach

- The UCRRA Recycling Outreach team completed 194 hours of direct community engagement programming in 2019: including 31 public speaking events/workshops, 29 facility tours of UCRRA recycling and organics recovery facilities, and attended 16 community festivals/events.
- The programs reached 2,412 adult participants and 600 youth participants with its direct community engagement initiatives.
- The Recycling Outreach Team grew indirect outreach program opportunities; 3,166 newsletter subscribers received quarterly e-news about recycling, composting, waste reduction and other communications about UCRRA services like household hazardous waste events and the UCRRA electronics recycling program. UCRRA social media audience has grown to 828 followers on Facebook and 308 followers on Instagram.
- Monthly Public Service Announcements and promotions for UCRRA Services were aired across four local and regional radio stations (reaching over 1 million estimated listeners) and monthly print advertising reached an estimated 62,000+ local readers (Sunday Freeman, Ulster Publishing Circulation, and The Kingston Matter Digest)
- UCRRA was mentioned in more than 30 news articles in Hudson Valley One, Times Herald Record, Cities Speak, and the Daily Freeman publications in 2019.
- UCRRA utilized the Recycle Right NY Campaign (a program of NYSDEC to reduce recycling contamination) on social media and in other advertisements. The outreach materials feature a different item of interest each month, with customizable text and graphics for public use.
- The Team conducted 55 site visits in 2019 to distribute new media and provide resources for municipal staff and facilities at Ulster County Town Halls, Central School Districts, Municipal Recycling Drop Off Centers and Public Libraries.
- The Recycling Outreach Team responded to questions over the Recycling Hotline, email, and in person at the UCRRA office.



Household Hazardous Waste (HHW) & Pharmaceutical Program

Product	Weight
Pesticides (solid)	4,600 lbs.
Pesticides (liquid)	1,196 gal.
Fluorescent Bulbs	2,864 lbs.
Hazardous Paint	2,500 gal.
Hazardous Batteries	247 lbs.
Used Oil	220 gal.
Antifreeze	275 gal.
Other HHW (solid)	19,100 lbs.
Other HHW (liquid)	2,505 gal.
Pharmaceuticals	780 lbs.

The Agency offers HHW Collection Events 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 2019, the Agency offered three HHW & Pharmaceutical Collection Events - in April, July, and October. A total of 1,036 residents participated. The accompanying chart shows the quantities recovered of household hazardous waste and pharmaceutical waste.

Cumulatively, the Agency's program helped prevent 26,811 lbs. and 6,696 gal. of hazardous materials and 780 lbs. of pharmaceuticals from potentially being disposed of improperly and/or ending up in a landfill just in 2019.

Composting Program

The Agency 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. The Agency's finished compost is tested quarterly by 2 labs (AgroLab 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 4,621 tons of source separated organics in 2019. If this food waste was instead managed as municipal solid waste, it would have cost the public \$475,963 in tipping fees.

By composting this material, the Agency removed 125 tractor trailer transport vehicles off the road (37 tons per vehicle) that would have traveled to Seneca Meadows Landfill for disposal. This represents a conservation of 11,875 gallons of diesel fuel, preventing 120.89 metric tons of carbon dioxide.

The total cost avoidance to the Agency for 2019 alone is approximately \$249,534 (hauling, landfill fees, fuel).

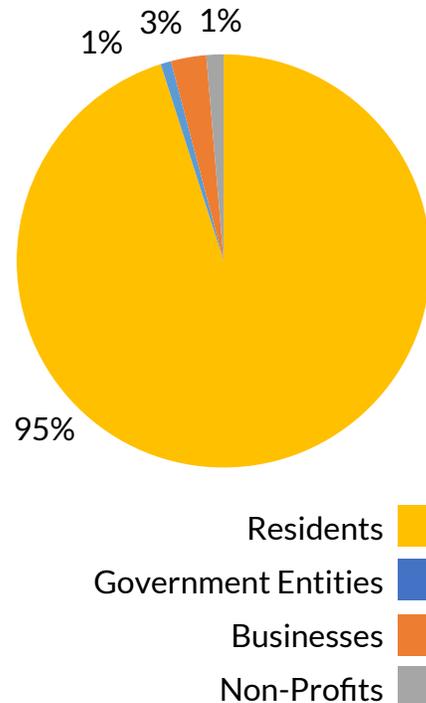


Electronics Recycling

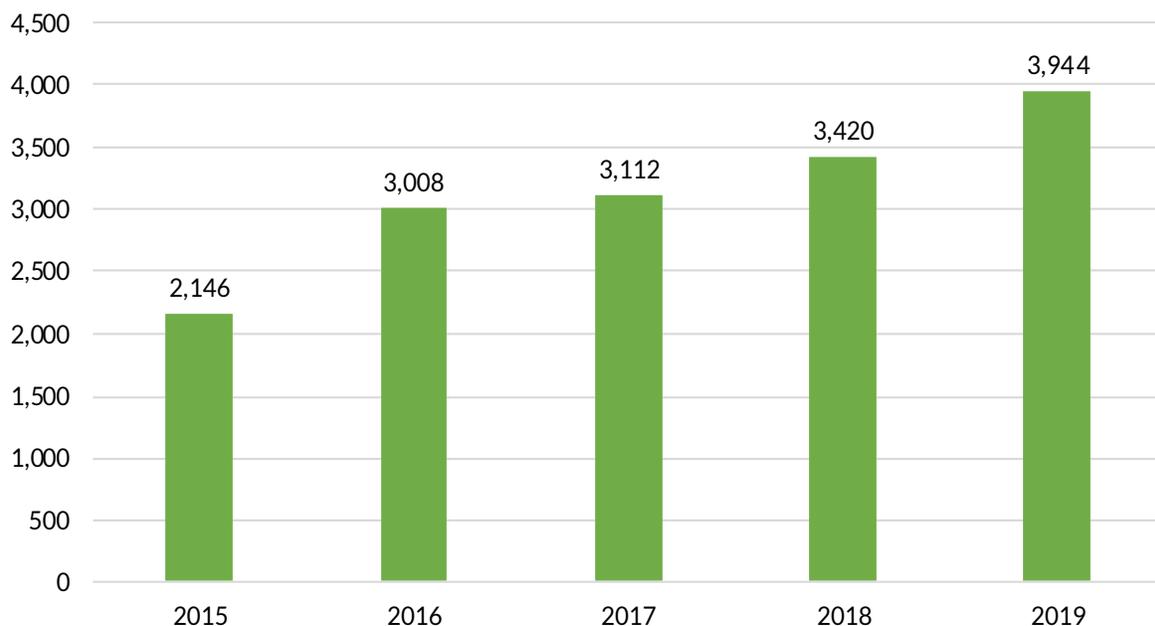
NYS consumers are required to recycle many electronic waste items, such as computers, computer peripherals, televisions, small scale servers, small electronic equipment, etc., in an environmentally responsible manner in accordance with the NYS Electronic Equipment Recycling and Reuse Act (Environmental Conservation Law, Article 27, Title 26). The Agency accepts electronic items for free Monday through Friday 8:00 AM - 3:00 PM at the Main Office, and also diverts electronics from disposal at the transfer stations whenever possible. All electronics are consolidated and exported to Electronics Recyclers International (ERI) in Holliston, MA and Plainfield, IN.

The Agency's electronics recycling program has been very successful, with 36% more participants in 2019 as compared to 2015 (the first year of the program). In 2019, 258 tons of electronics were accepted including 94 tons of TVs and 2 tons of computers. The program is open to residents (regardless of Ulster County residency status), businesses (<50 employees), local government entities, and non-profit organizations (<75 employees).

2019 Users



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

	2019	2018	2017
Assets:			
Assets, other than capital assets	\$12,229,770	\$11,292,746	\$11,061,274
Capital assets	<u>9,971,740</u>	<u>9,893,603</u>	<u>9,430,055</u>
Total assets:	<u>22,201,510</u>	<u>21,186,349</u>	<u>20,491,329</u>
Deferred outflows of resources	<u>481,439</u>	<u>821,138</u>	<u>654,304</u>
Liabilities:			
Current Liabilities	3,097,047	3,123,307	3,884,943
Long-term liabilities	<u>6,476,533</u>	<u>7,165,220</u>	<u>8,164,503</u>
Total liabilities:	<u>9,573,580</u>	<u>10,288,527</u>	<u>12,049,446</u>
Deferred inflows of resources	<u>274,205</u>	<u>873,562</u>	<u>242,161</u>
Net position (deficit):			
Investments in capital assets	9,971,740	9,893,603	9,430,055
Unrestricted	(418,225)	(2,253,006)	(3,834,698)
Restricted	<u>3,281,649</u>	<u>3,204,801</u>	<u>3,258,669</u>
Total net position:	<u>\$12,835,164</u>	<u>\$10,845,398</u>	<u>\$8,854,026</u>



Capital Activities

Due to forecasted substantial increases in transportation and disposal costs beginning in 2020, the agency made a conscious effort to invest in capital purchases in order to shift those budgeted funds to operating costs. The Agency also earmarked 2019 surplus funds for capital asset purchases in 2020 for 2019 ordered equipment. The following capital assets were purchased in 2019:

- Completion of the replacement of fuel depot pumps
- Continued improvements to camera system; camera additions, camera upgrades, and changes of location
- Video intercom system installed at Ulster Transfer Station scalehouse
- 5 rolloff boxes purchased for glass transport/disposal
- New excavator
- New Towmaster trailer
- New lowboy trailer
- Compost bagging machine for new bagging operation
- 2 New rolloff trucks

The Agency had two incidents in 2019 that resulted in the salvage of capital assets and the receipt of insurance proceeds that totaled \$76,645:

- Rolloff truck fire (total loss)
- Tractor accident while under the care of a vendor for repairs

For additional information about the Agency's capital activities, see "Note 4 – Capital Assets" in the Notes to the Financial Statements.

Long Term Debt Activities

The Agency issued no debt during 2019.

The Agency's 2002 Refunding Bond payments became interest heavy beginning in 2019, resulting in a further increase in interest expense. Over the past two years, interest expense has increase by \$857,928.



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 revenue is 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

Condensed Statements of Revenue, Expenses, & Changes in Net Position

	2019	2018	2017
Revenue:			
Operating Revenue	\$15,874,243	\$15,984,910	\$15,289,882
Non-Operating Revenue	<u>289,488</u>	<u>193,413</u>	<u>185,618</u>
Total revenue:	<u>16,163,731</u>	<u>16,178,323</u>	<u>15,475,500</u>
Expenses:			
Operating Expenses	13,133,780	13,503,535	11,924,938
Non-Operating Expenses	<u>1,040,185</u>	<u>683,416</u>	<u>182,257</u>
Total expenses:	<u>14,173,965</u>	<u>14,186,951</u>	<u>12,107,195</u>
Increase in net position	1,989,766	1,991,372	3,368,305
Net position:			
Beginning of year	<u>10,845,398</u>	<u>8,854,026</u>	<u>5,485,721</u>
End of year	<u>\$12,835,164</u>	<u>\$10,845,398</u>	<u>\$8,854,026</u>



Statements of Revenue, Expenses, & Changes in Net Position (continued)

The Agency's net position improved by \$2.0 million, from \$10.8 million at December 31, 2018 to \$12.8 million at December 31, 2019.

Total revenue in 2019 remained consistent with the previous year at \$16.2 million. During 2019, the Agency experienced an increase in volume which increased solid waste service fees. An increase in interest rates on deposits from an Agency bank led to increased interest revenue. These increases were offset by a further deteriorating recycling market that led to decreases in recycling revenues.

Total expenses in 2019 remained consistent with the previous year at \$14.1 million. During 2019, the Agency realized contractual increases for transportation and disposal of MSW/C&D. These increases were offset by the transportation and disposal cost savings related to not accepting single stream recycling after the first quarter of 2019. Estimated long term landfill post closure care costs decreased substantially, but were offset by increases in debt service related interest expense.



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.

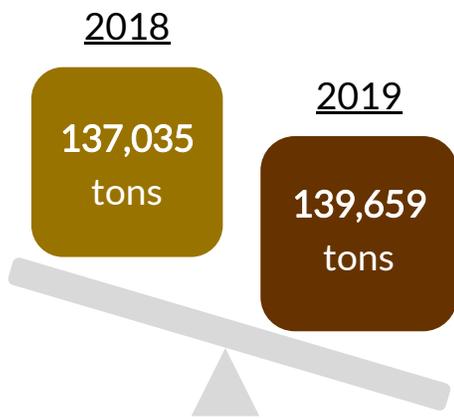
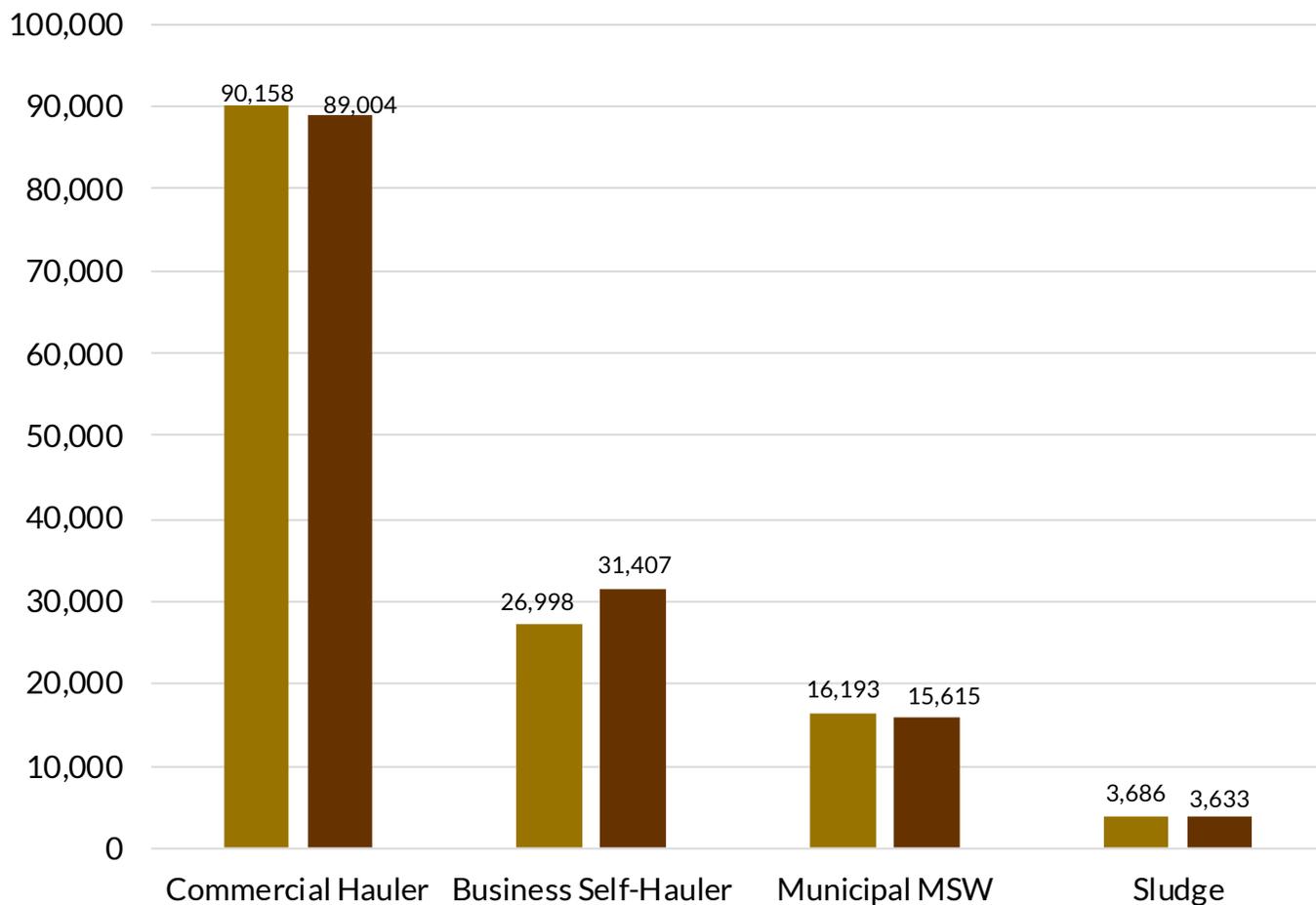
Condensed Statements of Cash Flows

	2019	2018	2017
Net cash provided by operating activities	\$3,277,338	\$3,380,059	\$4,150,463
Net cash provided by noncapital financing activities	87,991	45,558	40,813
Net cash used in capital and related financing activities	(2,579,769)	(3,636,262)	(3,562,373)
Net cash provided by investing activities	<u>173,571</u>	<u>141,967</u>	<u>130,549</u>
Net increase (decrease) in cash and equivalents	959,131	(68,678)	759,452
Cash and equivalents at beginning of year	<u>6,466,527</u>	<u>6,535,205</u>	<u>5,775,753</u>
Cash and equivalents at end of year	<u>\$7,425,658</u>	<u>\$6,466,527</u>	<u>\$6,535,205</u>

Net cash increased from the prior year mainly due to a decrease in debt service payments of approximately \$657,000 from the prior year.



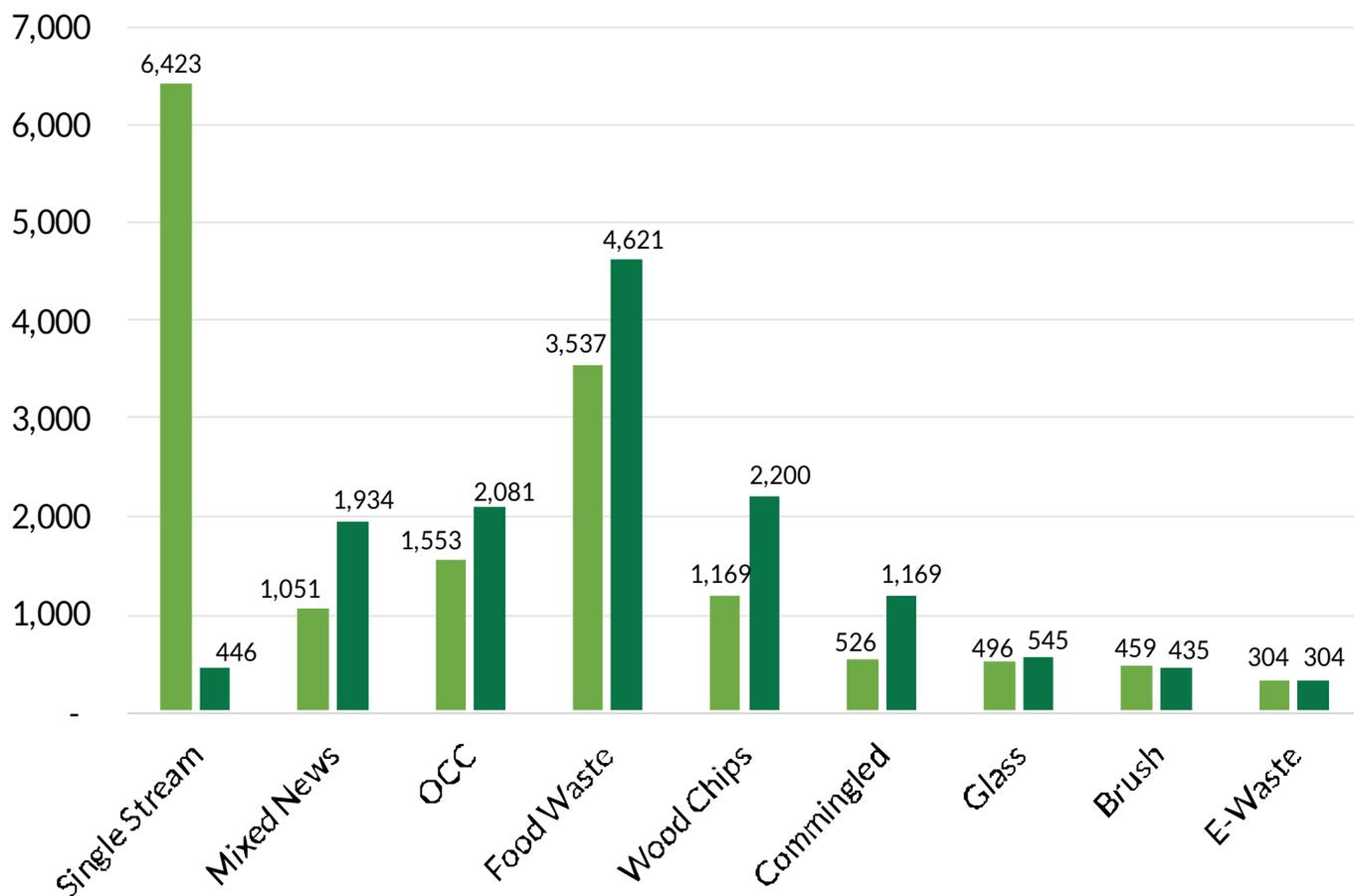
Solid Waste



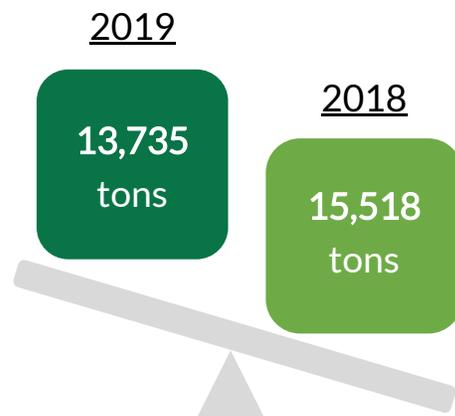
Waste volume increased 1.9% from the prior year. Predicting waste volume can be very difficult from year to year, but the implementation of Flow Control has allowed for less unpredictability. For a third year in a row, the Agency had unexpected increases in construction and demolition debris (C&D) as well (majority is included in business self hauler volumes).



Recycling



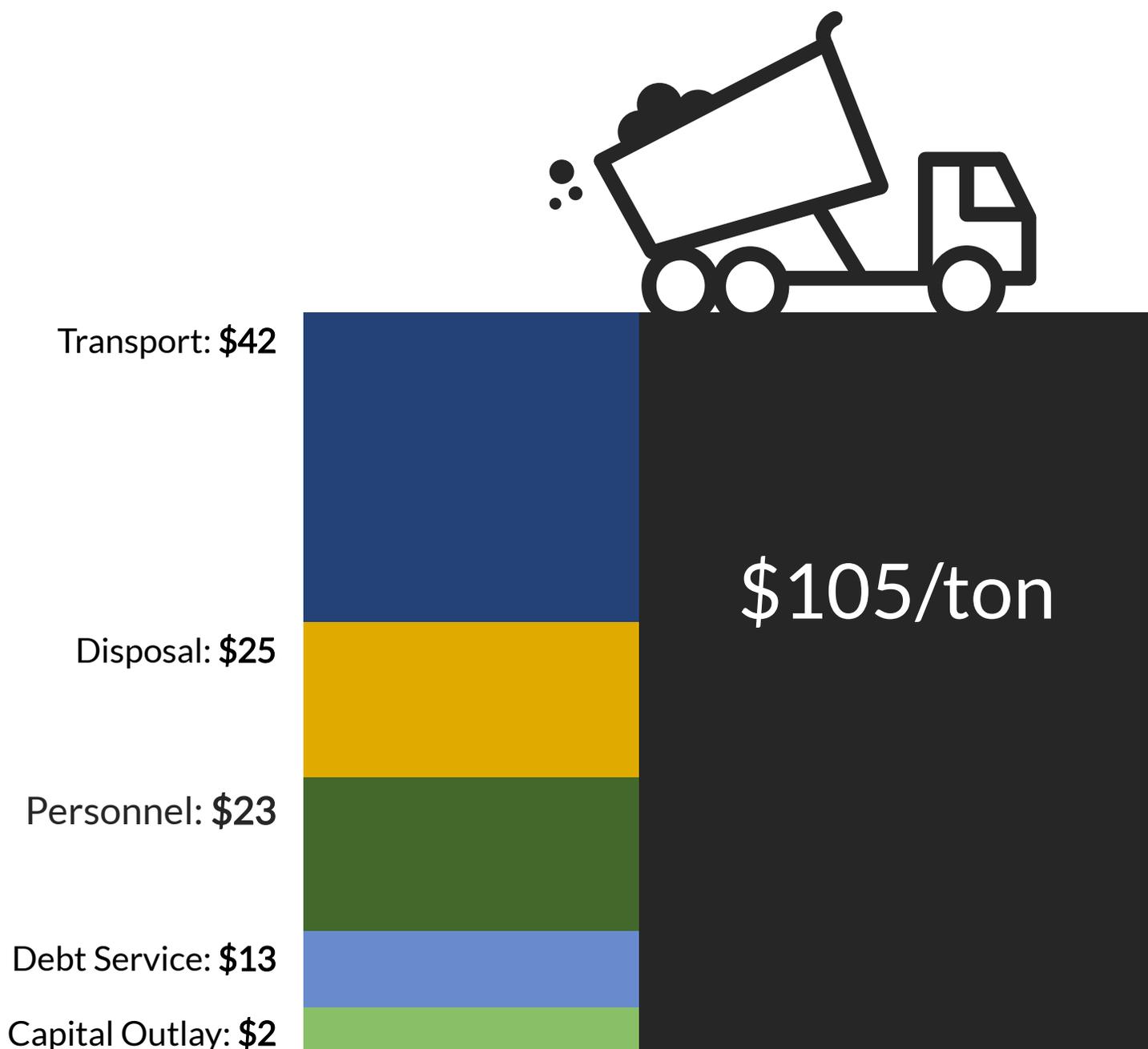
Composting related volumes have continued to trend upward, especially food waste and wood chips, as the Agency's composting program continues to evolve. Single stream recycling volumes became non-existent as the Agency stopped accepting it as of April 1, 2019. Dual stream related volumes (news/OCC/commingled) increased as a direct effect of not accepting single stream recycling.





How We Calculate Our Tipping Fee

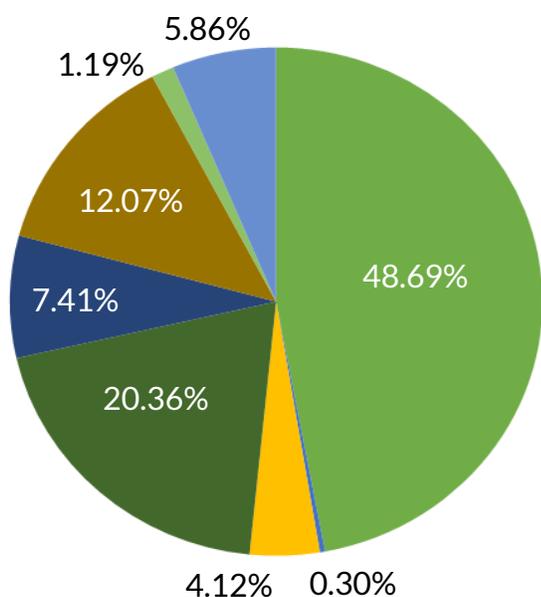
The Agency calculates its annual tipping fee rate/ton with the expectation to, at minimum, break even. The following chart breaks down the 2020 approved tipping fee rate with relation to its major cost categories. Transportation expenses (excluding fuel costs) are increasing substantially due to new hauler contracts, approximately \$10 per ton. However, due to excellent forecasting and planning by the Agency over the past 5 years, the tipping fee only needed to be increased by \$2 per ton to \$105 per ton.



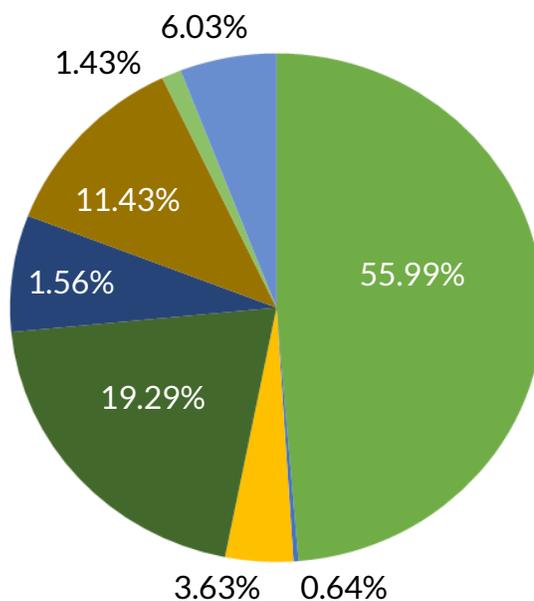


Budget

2019



2020



The Agency completed a very successful 2019 and anticipates 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 85% 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. During 2019, the Agency bid out its transportation and disposal contracts. These bid results created a substantial increase in transportation and disposal costs, and will increase annually over the next five years. The Agency will make all efforts to keep the tipping fees flat through 2024.

Recycling markets continue to decline as the effects of the global markets are felt industry wide. The Agency is now paying to get rid of multiple products that used to be a revenue source, like mixed news. The outlook continues to be negative for recycling as a whole.



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

	2019	2018
Assets:		
Current assets:		
Unrestricted Assets:		
Cash and equivalents	\$ 6,686,958	\$ 5,804,675
Receivables, net of allowance of \$99,085 and \$10,598, respectively	1,846,014	1,867,533
Accrued interest	39,480	39,828
Prepaid expense	375,669	375,909
Total Unrestricted Assets	8,948,121	8,087,945
Restricted Assets:		
Cash and equivalents	738,700	661,852
Investments	2,542,949	2,542,949
Total Restricted Assets	3,281,649	3,204,801
Total Current assets:	12,229,770	11,292,746
Non-Current assets		
Capital assets, net	9,971,740	9,893,603
Total Non-Current assets	9,971,740	9,893,603
Total assets	\$ 22,201,510	\$ 21,186,349
Deferred outflows of resources:		
Pension	\$ 481,439	\$ 821,138
Total Deferred Outflows of Resources	\$ 481,439	\$ 821,138
Liabilities:		
Current liabilities:		
Accounts payable	\$ 559,338	\$ 571,446
Accrued interest	716,674	659,815
Host community benefits payable	14,707	14,599
Customer advances	10,200	3,500
Other payables	62,990	50,977
Current installments of long-term debt	809,975	906,067
Current portion of landfill post closure care costs	260,790	249,536
Compensated absences	662,373	667,367
Total current liabilities	3,097,047	3,123,307
Non-Current liabilities:		
Long-term debt, excluding current installments, net of premium	3,876,651	4,686,626
Landfill post closure care costs, excluding current portion	2,086,320	2,245,824
Net pension liability - proportionate share - Employees Retirement System	513,562	232,770
Total Non-Current liabilities:	6,476,533	7,165,220
Total liabilities	\$ 9,573,580	\$ 10,288,527
Deferred inflows of resources:		
Pension	\$ 274,205	\$ 873,562
Total Deferred inflows of Resources	\$ 274,205	\$ 873,562
Net position (deficit):		
Investments in capital assets	\$ 9,971,740	\$ 9,893,603
Restricted for:		
Debt repayment	2,707,292	2,640,179
Landfill Post Closure	574,357	564,622
Unrestricted (deficit)	(418,225)	(2,253,006)
Total net position	\$ 12,835,164	\$ 10,845,398

The accompanying notes are an integral part of these financial statements

ULSTER COUNTY RESOURCE RECOVERY AGENCY
Statements of Revenue, Expenses and Changes in Net Position
For The Years Ended December 31

	2019	2018
Operating revenue:		
Charges for sales and services:		
Sales of recyclable materials	\$ 419,018	\$ 616,538
Solid waste service fees	15,380,778	15,299,711
County net service fees	-	-
Other revenue	74,447	68,661
	15,874,243	15,984,910
Total operating revenue		
Operating expenses:		
Costs of sales and services	8,687,452	8,747,896
Salaries and wages	1,913,476	1,799,432
Administration	726,070	636,721
Depreciation	640,512	632,143
Benefits	1,053,730	998,435
Landfill post closure care costs	112,540	688,908
	13,133,780	13,503,535
Total operating expenses		
Operating income	2,740,463	2,481,375
Nonoperating revenue (expenses):		
Investment income	173,223	142,482
Gain on disposal of assets	28,274	5,373
Grant revenue	87,991	45,558
Interest expense	(1,040,185)	(683,416)
	(750,697)	(490,003)
Total nonoperating revenue (expenses)		
Increase in net position	1,989,766	1,991,372
Beginning of year	10,845,398	8,854,026
End of year	\$ 12,835,164	\$ 10,845,398

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

	2019	2018
Cash flows from operating activities:		
Receipts from services	\$ 15,902,462	\$ 15,678,511
Payments to suppliers	(9,808,941)	(9,540,905)
Payment to employees	(2,816,183)	(2,757,547)
	<u>3,277,338</u>	<u>3,380,059</u>
Cash flows from noncapital financing activities:		
Grant Income	87,991	45,558
Net cash provided by noncapital financing activities	<u>87,991</u>	<u>45,558</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(767,020)	(1,119,725)
Proceeds from disposal of assets	76,645	29,407
Principal paid on long-term debt	(906,067)	(2,508,499)
Interest paid on long-term obligations	(983,327)	(37,445)
Net cash used in capital and related financing activities	<u>(2,579,769)</u>	<u>(3,636,262)</u>
Cash flows from investing activities - investment income received	<u>173,571</u>	<u>141,967</u>
Net (decrease) increase in cash and equivalents	<u>959,131</u>	<u>(68,678)</u>
Cash and equivalents at beginning of year	<u>6,466,527</u>	<u>6,535,205</u>
Cash and equivalents at end of year	<u>\$ 7,425,658</u>	<u>\$ 6,466,527</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 2,740,463	\$ 2,481,375
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	640,512	632,143
Pension expense	21,135	(22,582)
Changes in:		
Receivables	21,519	(304,799)
Prepaid expenses	240	5,164
Accounts payable and other payables	13	95,031
Customer Advances	6,700	(1,600)
Compensated absences	(4,994)	55,955
Landfill post closure care costs	(148,250)	439,372
Net cash provided by operating activities	<u>\$ 3,277,338</u>	<u>\$ 3,380,059</u>

The accompanying notes are an integral part of these financial statements

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(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 Agency meets the criteria set forth in generally accepted accounting principles as promulgated by the Government Accounting Standards Board (GASB) for inclusion as a component unit within the County's basic financial statements based on the County's responsibility for the appointment of the Agency's board members, and their approval of certain debt issuances. As such, the Agency is included in the County's basic financial statements. The accompanying financial statements present the financial position and the changes in net position and cash flows of the Agency only.

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).

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 revenue 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.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

(a) Financial Reporting Entity, Continued

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.

(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.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements

December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

(d) Estimates

The preparation of financial statements in accordance 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, useful lives of long-lived assets and certain assumptions related to deferred inflows and outflows. Accordingly, actual results could differ from those estimates.

(e) Cash, Cash Equivalents and Investments

For financial statement purposes, the Agency considers all highly liquid investments with maturities of three months or less to be cash equivalents. Certain cash balances are maintained in trustee bank accounts for the purposes of landfill post closure care costs only, therefore these accounts have been deemed restricted cash. Due to debt service reserve requirements, varying amounts of cash equivalents may need to be restricted throughout the year.

(f) Receivables and Allowance for Doubtful Accounts

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

(g) Capital Assets

Capital assets are stated at cost, or in the case of donated capital assets, acquisition value. 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/additions, machinery and equipment, computers, software, vehicles, trailers, furniture and fixtures, and infrastructure 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. The estimated lives by general classification are as follows:

	<u>Years</u>
Buildings	5 - 50
Machinery and Equipment	5 - 20
Trailers	8
Computers	5
Software	3
Vehicles	8
Furniture and Fixtures	10
Infrastructure	20

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

(h) Interfund Transfers

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

(i) Net Position

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

(j) Deferred outflows and inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has two items that qualify for reporting in this category. The first item is related to pension reported in the Statement of Net Position. This represents the effect of the net change in the Agency's proportion of the collective net pension asset or liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension system not included in pension expense. The third item is the Agency's contributions to the pension system (ERS Systems) subsequent to the measurement date. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category. This is related to the pension reported in the Statement of Net Position. This represents the effect of the net change in the Agency's proportion of the collective net pension liability (ERS System) and difference during the Measurement periods between the Agency's contributions and its proportion share of total contributions to the pension system not included in pension expense. This represents the effect of the net changes of assumptions or other inputs.

(k) Advertising Costs

Advertising costs are expensed as incurred.

(l) Reclassifications

Certain reclassifications, when applicable, are made to the prior year financial statement presentation to correspond to the current year's format. Reclassifications, when made, have no effect on total net position or operating income.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

(m) Changes in Accounting Principles

For the year ended December 31, 2019, the Agency implemented GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements. The implementation of the statement requires the Agency to disclose certain information related to debt. See Note 7 for the financial statement impact of the implementation.

(n) Subsequent Events

The Agency has evaluated events after December 31, 2019, and through March 31, 2020, 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.

(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 102% or more of the balances on deposit. Investments consist primarily of guaranteed investment contracts (GICs) purchased directly by the Agency.

At December 31, 2019, the Agency's cash equivalents and investment balances were as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and equivalents	\$6,686,958	\$ 738,700	\$7,425,658
Investments	-	2,542,949	2,542,949
Total	\$6,686,958	\$3,281,649	\$9,968,607

At December 31, 2018, the Agency's cash equivalents and investment balances were as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and equivalents	\$5,804,675	661,852	\$6,466,527
Investments	-	2,542,949	2,542,949
Total	\$5,804,675	\$3,204,801	\$9,009,476

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(4) Capital Assets

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

	2019			
	Beginning Balances	Additions	Retirements	Ending Balances
Land	1,238,172	-	-	1,238,172
Buildings	10,804,956	139,411	(80,700)	10,863,667
Machinery and equipment	4,020,773	376,565	(210,764)	4,186,574
Trailers	554,155	4,748	-	558,903
Computers	54,813	8,184	(7,761)	55,236
Software	40,948	-	-	40,948
Vehicles	1,771,606	377,050	(190,086)	1,958,570
Furniture and fixtures	56,357	-	-	56,357
Infrastructure	61,764	-	-	61,764
Construction in process	78,938	-	(78,938)	-
Total capital assets	18,682,482	905,958	(568,249)	19,020,191
Less accumulated depreciation:				
Buildings	3,965,167	284,426	(25,017)	4,224,576
Machinery and equipment	2,774,046	233,040	(158,076)	2,849,010
Trailers	492,187	24,062	-	516,249
Computers	42,521	4,869	(7,761)	39,629
Software	38,762	874	-	39,636
Vehicles	1,436,453	85,882	(190,086)	1,332,249
Furniture and fixtures	28,357	4,271	-	32,844
Infrastructure	11,170	3,088	-	14,258
Total accumulated depreciation	8,788,879	640,512	(380,940)	9,048,451
Capital assets, net	\$9,893,603	265,446	(187,309)	9,971,740

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(4) Capital Assets, Continued

	2018			
	Beginning Balances	Additions	Retirements	Ending Balances
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 process	-	78,938	-	78,938
Total capital assets	17,836,722	1,174,725	(328,965)	18,682,482
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	8,167	3,003	-	11,170
Total accumulated depreciation	8,406,667	632,143	(249,931)	8,788,879
Capital assets, net	\$9,430,055	542,582	(79,034)	9,893,603

(5) Deferred Outflow of Resources

As of December 31, 2019, the Agency had deferred outflows of resources amounting to \$481,439 related to the NYS Employees' Retirement System. See Note (6).

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(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, 2019 and 2018. Contributions for the current year and two preceding years were greater than or equal to 100% of the contributions required, and were as follows:

2019	\$ 249,347
2018	245,094
2017	1,102,618

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, 2019 and 2018

(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, 2019 and 2018, the Agency reported a liability of \$513,562 and \$232,770 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of 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, 2019 and 2018, the Agency's proportion was 0.0072483 and 0.0072122 percent, respectively.

For the years ended December 31, 2019 and 2018, the Agency recognized pension expense of \$269,419 and \$246,120, respectively. At December 31, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Resources		
Differences between expected and actual experience	\$ 101,131	\$ 34,474
Changes of assumptions	129,088	-
Net difference between projected and actual earnings on Plan investments	-	131,808
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	1,873	107,923
Agency's contributions subsequent to the measurement date	249,347	-
Total	\$ 481,439	\$ 274,205

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(6) Retirement Plan (Continued)

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

	2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Resources		
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	245,094	-
Total	\$ 821,138	\$ 873,562

Agency contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2020. 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:

2020	60,731
2021	(135,551)
2022	(29,141)
2023	61,848

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements

December 31, 2019 and 2018

(6) Retirement Plan (Continued)

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2018 valuation were as follows:

Inflation	2.5%
Salary scale	4.2% in ERS
Investment rate of return including inflation	7% compounded annually, net of investment expenses
Cost of living adjustments	1.3% annually
Decrements	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

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	7.5
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, 2019 and 2018

(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:

	<u>1% Decrease</u> <u>(6.0%)</u>	<u>Current</u> <u>Assumption</u> <u>(7.0%)</u>	<u>1% Increase</u> <u>(8.0%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$(2,245,374)	(513,562)	941,283

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of March 31, 2019 were as follows:

	<u>(Dollars in Millions)</u> <u>Employees</u> <u>Retirement System</u>
Employers' total pension liability	\$(189,803)
Plan net position	182,718
Employers' net pension asset/(liability)	<u>(7,085)</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	(96.27%)

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(7) Long-Term Debt

Long-term debt at December 31, 2019 and 2018 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:

Business-Type Activities	2019				
	Balances	Additions	Deductions	Balances December 31	Due Within One Year
Serial bonds	-	-	-	-	-
Capital appreciation bonds	\$5,448,755	-	\$(810,566)	\$4,638,189	\$761,538
Notes from direct borrowings	143,938	-	(95,501)	48,437	48,437
Subtotal	5,592,693	-	(906,067)	4,686,226	809,975
Unamortized premium	-	-	-	-	-
Total	\$5,592,693	-	\$(906,067)	\$4,686,226	\$809,975

Business-Type Activities	2018				
	Balances	Additions	Deductions	Balances December 31	Due Within One Year
Serial bonds	\$2,400,000	-	\$(2,400,000)	-	-
Capital appreciation bonds	5,448,755	-	-	5,448,755	810,566
Capital lease	236,827	-	(92,889)	143,938	95,501
Subtotal	8,085,582	-	(2,492,889)	5,592,693	906,067
Unamortized premium	15,610	-	(15,610)	-	-
Total	\$8,101,192	-	\$(2,508,499)	\$5,592,693	\$906,067

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(7) Long-Term Debt (Continued)

The Agency does not have any unused lines of credit.

The Agency's outstanding note from direct borrowings related to business-type activities of \$48,437 is secured with collateral by the piece of equipment that is being purchased. The outstanding note from direct borrowings related to business-type activities of \$48,437 contain 1) a provision that in an event of default, any amounts payable to the end of the then current budget year are immediately due; 2) At the Agency's expense, the collateralized equipment shall be returned within 15 days after the event of default occurs.

(c) Maturity

The following is a summary of maturity of indebtedness as of December 31, 2019:

Description of issue	Issue date	Final maturity	Interest rate	Outstanding at 12/31/19
Capital appreciation bonds	12/18/2002	03/01/2025	4.96 - 5.29%	\$4,638,189
Capital lease	03/23/2016	03/23/2019	3.13%	-
Capital lease	03/01/2017	03/01/2020	2.49%	48,437
Total Long-Term Debt, Net				<u>\$4,686,626</u>

The maturities of these issues as of December 31, 2019 are as follows:

	Principal	Interest	Total
2020	\$809,975	\$1,029,667	\$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	593,904	1,196,096	1,790,000
2025	1,271,181	2,773,819	4,045,000
	<u>\$4,686,626</u>	<u>\$8,358,016</u>	<u>\$13,044,642</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(7) Long-Term Debt, Continued

(d) 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, 2019 and 2018, the Agency had advances amounting to \$10,200 and \$3,500, respectively.

The December 31, 2019 and 2018 balances consist of payments received from customers in 2019 for their 2020 permits and payments received from customers in 2018 for their 2019 permits, respectively. The issuances of these permits began in February 2013 and were issued as part of the new countywide flow-control law. In subsequent periods, when the Agency has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

(9) Unrestricted Net Deficit

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

	<u>2019</u>	<u>2018</u>
General unrestricted	\$ 7,189,868	\$ 6,399,669
Related to outstanding debt	(4,686,626)	(5,592,693)
Landfill post-closure care costs	(2,921,467)	(3,059,982)
	<u>\$ (418,225)</u>	<u>\$ (2,253,006)</u>

(10) Compensated Absences

Employees of the Agency are entitled to reimbursement of unused sick and vacation time at the time of retirement or other termination of service. The Agency's policy is to accrue the cost of compensated absences as earned and vested by the Agency's employees. This amount is included as a payable in the accompanying statements of net position in the amount of \$662,373 and \$667,367 as of December 31, 2019 and 2018, respectively.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements

December 31, 2019 and 2018

(11) Contingencies

Contingencies at December 31, 2019 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 2019 and 2018, the annual post-closure monitoring and maintenance cost for both landfills was \$260,790 and \$249,536, 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 \$260,790 for each of the remaining 9 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	130,632	83,304	213,936
Facility maintenance	9,992	24,267	34,259
Total annual cost	\$147,654	\$113,136	\$260,790

The liability for landfill post-closure care costs at December 31, 2019 consists of the following:

Total annual cost	\$ 260,790
Remaining years	<u>9</u>
Total liability	2,347,110
Less current portion	<u>(260,790)</u>
Landfill post-closure care costs, excluding current portion	<u>\$2,086,320</u>

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements
December 31, 2019 and 2018

(11) Contingencies (Continued)

(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. The Agency received \$35,549 and \$-0- for this program during the year ended December 31, 2019 or December 31, 2018, respectively.

(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 \$-0- and \$45,558 for this program during the year ended December 31, 2019 and 2018, respectively.

(c) Climate Smart Communities Grant Program (Ulster County pass-through)

The Agency received grant revenue from the County of Ulster via the New York State Department of Environmental Conservation's Climate Smart Communities grant program. The Agency operates a commercial composting operation at its Kingston facility. The intent of this grant is to provide funding to the Agency in order to expand and improve its current operation with additional equipment and a finished compost bagging facility. The Grant requires that 100% of the grant amount be matched by the County of Ulster and/or the Agency. Grant revenue received represents a 100% reimbursement of Agency disbursements after match. The Agency received \$52,442 and \$-0- for this program during the year ended December 31, 2019 and 2018, respectively.

ULSTER COUNTY RESOURCE RECOVERY AGENCY

Notes to Financial Statements

December 31, 2019 and 2018

(14) Related Party/Ulster County Grant Agreement

The Agency, along with certain other agencies, entered into a grant agreement with the County. The County receives grant funding from the Department of Environmental Conservation to promote composting practices within the community at local businesses and with the expansion of composting services at the Agency. The County reimburses the Agency with grant funding received for the purchase of equipment (toters, compost bagger, trommel screen, etc.), to support operations, and to develop composting programs at local businesses. The goal of the grant is to remove food waste from the solid waste stream. As of December 31, 2019, the Agency has received \$52,442 in grant funding from this agreement.

**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)

	2014*	2015*	2016*	2017*	2018*	2019*
Contractually required contribution	286,843	\$288,993	242,378	238,269	245,094	249,347
Contributions in relation to the contractually required contribution	286,843	288,993	242,378	238,369	245,094	249,347
Contribution Deficiency (Excess)	-	-	-	-	-	-
UCRRA's covered payroll	1,463,482	1,512,837	1,553,441	1,530,091	1,656,723	1,710,627
Contributions as a percentage of covered payroll	19.60%	19.10%	15.60%	15.57%	14.79%	14.58%

*The amounts presented for the fiscal year were determined as of December 31,

Note: 2015 was the initial implementation year.

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>	<u>2019*</u>
UCRRA's proportion of the net pension (liability) asset	0.0079561%	0.0080119%	0.0074789%	0.0072122%	0.0072483%
UCRRA's proportionate share of the net pension (liability) asset required contribution	\$(268,777)	\$(1,285,934)	\$(702,730)	\$(232,770)	\$(513,562)
UCRRA's covered-employee payroll	\$1,512,837	\$1,553,441	\$1,530,091	\$1,656,723	\$1,710,627
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%	30.02%
Plan fiduciary net position as a percentage of the total pension liability	97.95%	90.69%	94.70%	98.24%	96.27%

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

Note: 2015 was the initial implementation year.

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, 2019, 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 31, 2020.

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. We did not identify any significant deficiencies or material weaknesses.

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 & Charonnet, CPAs PC

Albany, New York
March 31, 2020



Teal, Becker & Chiaramonte™
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

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, 2019 and 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 31, 2020.

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.

A handwritten signature in cursive script that reads "Teal, Becker & Chiaramonte, CPAs PC".

Albany, New York
March 31, 2020



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>	59-62
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>	64
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>	66
These schedules present information to help the reader asses the affordability of outstanding debt and the Authority's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	68-69
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>	71-73
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

	2019	2018	2017	2016
Revenues				
Sales of recyclable materials	419,018	616,538	842,399	447,314
Solid waste service fees	15,380,778	15,299,711	14,368,753	13,524,706
County net service fees	-	-	-	-
Other revenue	74,447	68,661	78,730	44,558
	<u>15,874,243</u>	<u>15,984,910</u>	<u>15,289,882</u>	<u>14,016,578</u>
Other Revenues				
Investment income	173,223	142,482	131,285	122,356
Gain on disposal of assets	28,274	5,373	13,520	105,698
Grant revenue	87,991	45,558	40,813	286,067
	<u>289,488</u>	<u>193,413</u>	<u>185,618</u>	<u>514,121</u>
Total Revenues	<u>16,163,731</u>	<u>16,178,323</u>	<u>15,475,500</u>	<u>14,530,699</u>
Expenses				
Costs of sales and services	8,687,452	8,747,896	7,729,966	7,106,444
Salaries and wages	1,913,476	1,799,432	1,719,900	1,681,879
Administration	726,070	636,721	654,073	658,275
Depreciation	640,512	632,143	612,373	574,882
Benefits	1,053,730	998,435	1,046,782	1,111,651
Landfill post closure care costs	112,540	688,908	161,844	(178,295)
	<u>13,133,780</u>	<u>13,503,535</u>	<u>11,924,938</u>	<u>10,954,836</u>
Other Expenses				
Interest expense	1,040,185	683,416	182,257	254,982
Bond issuance cost	-	-	-	-
Loss on disposal of assets	-	-	-	-
	<u>1,040,185</u>	<u>683,416</u>	<u>182,257</u>	<u>254,982</u>
Total Expenses	<u>14,173,965</u>	<u>14,186,951</u>	<u>12,107,195</u>	<u>11,209,818</u>
Increase in Net Position	<u>1,989,766</u>	<u>1,991,372</u>	<u>3,368,305</u>	<u>3,320,881</u>
Net Position at Year End Composed of:				
Net Investments in Capital Assets	9,971,740	9,893,603	9,430,055	9,741,717
Restricted	3,281,649	3,204,801	3,742,549	3,566,904
Unrestricted (deficit)	(418,225)	(2,253,006)	(4,318,578)	(7,822,900)
	<u>12,835,164</u>	<u>10,845,398</u>	<u>8,854,026</u>	<u>5,485,721</u>



Changes in Net Position (continued)

2015	2014	2013	2012	2011	2010
343,459	646,276	845,121	999,478	1,703,145	1,463,344
13,583,309	13,401,107	12,755,202	12,073,009	13,046,628	12,914,289
-	-	-	2,474,330	1,366,153	1,382,894
67,716	80,103	86,757	59,383	38,735	27,040
13,994,484	14,127,486	13,687,080	15,606,200	16,154,661	15,787,567
117,179	115,450	115,968	115,813	115,966	116,630
56,279	-	21,900	-	4,402	2,132
38,889	128,939	37,212	32,228	30,024	167,784
212,347	244,389	175,080	148,041	150,392	286,546
14,206,831	14,371,875	13,862,160	15,754,241	16,305,053	16,074,113
6,903,327	7,859,478	7,905,082	8,761,567	10,020,015	9,183,230
1,643,282	1,618,265	1,572,149	1,636,740	1,812,799	1,642,098
561,122	586,425	671,947	520,608	531,439	611,701
520,321	552,000	643,759	455,768	506,756	669,398
500,912	885,781	897,717	925,119	977,041	834,149
(205,842)	(738,960)	1,236,784	(635,477)	997,920	(1,215,601)
9,923,122	10,762,989	12,927,438	11,664,325	14,845,970	11,724,975
325,398	405,909	413,657	642,774	672,581	748,384
-	-	-	99,439	-	-
-	7,882	-	-	-	-
325,398	413,791	413,657	742,213	672,581	748,384
10,248,520	11,176,780	13,341,095	12,406,538	15,518,551	12,473,359
3,958,311	3,195,095	521,065	3,347,703	786,502	3,600,754
9,326,438	9,380,270	9,748,944	9,742,062	10,009,329	10,163,301
3,491,921	3,322,759	3,277,203	5,779,222	5,006,320	4,920,965
(10,653,519)	(14,136,974)	(17,655,187)	(20,671,389)	(23,300,653)	(23,075,767)
2,164,840	(1,433,945)	(4,629,040)	(5,150,105)	(8,285,004)	(7,991,501)
***			***	***	

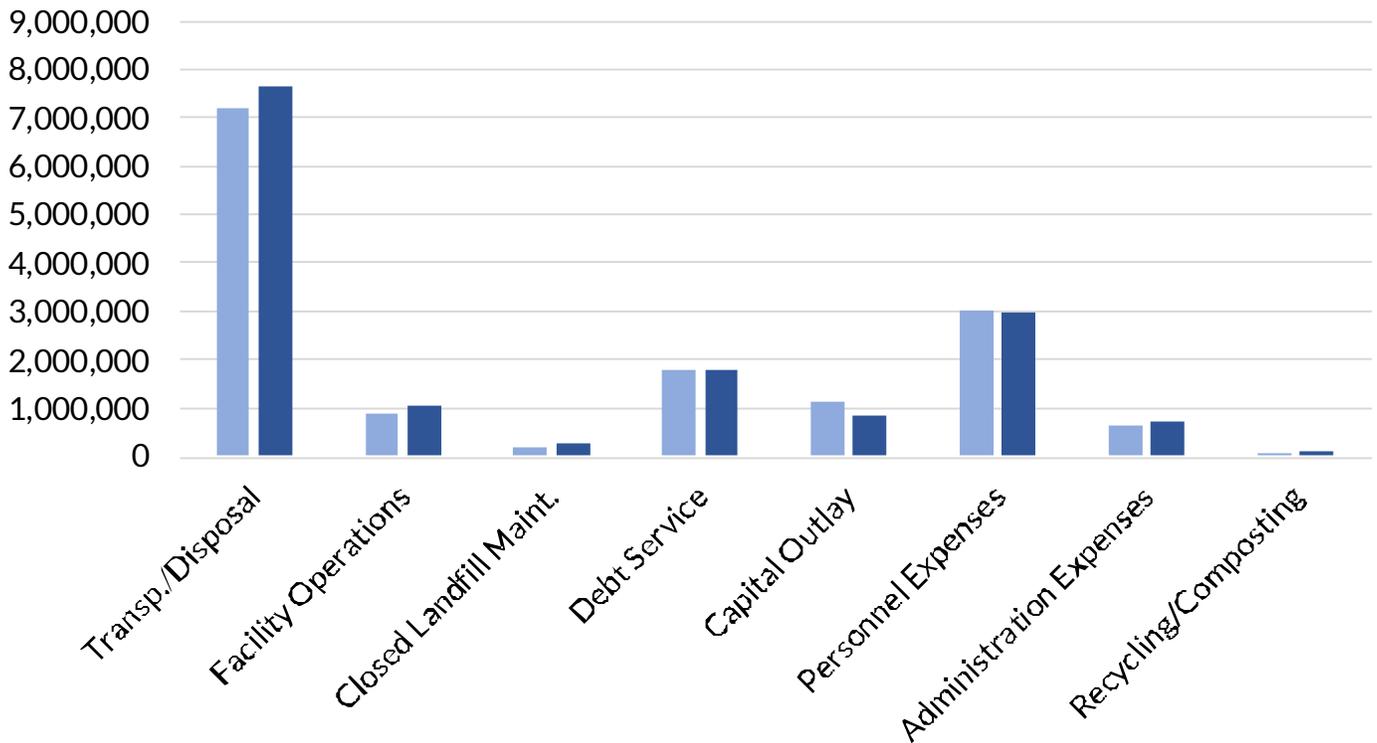
***Includes restatement of beginning balance due to change in accounting principal prior period adjustment



Budget vs. Actual Expenses

	2019 Budget	2019 Actual	Variance	2018 Budget	2018 Actual	Variance
Transportation/Disposal	\$7,219,724	7,643,081	(423,357)	6,848,889	7,730,355	(881,466)
Facility Operations	\$869,029	1,033,253	(164,224)	921,639	1,018,754	(97,115)
Closed Landfill Maintenance	\$176,700	258,249	(81,549)	197,600	247,030	(49,430)
Debt Service	\$1,790,000	1,790,000	-	1,909,825	1,896,550	13,275
Capital Outlay	\$1,099,394	820,078	279,316	1,129,394	1,146,533	(17,139)
Personnel Expenses	\$3,020,357	2,948,178	72,179	2,885,427	2,820,449	64,978
Administration Expenses	\$610,972	700,773	(89,801)	615,575	620,280	(4,705)
Recycling/Composting	\$45,000	81,516	(36,516)	45,000	88,654	(43,654)

2019 Expenses

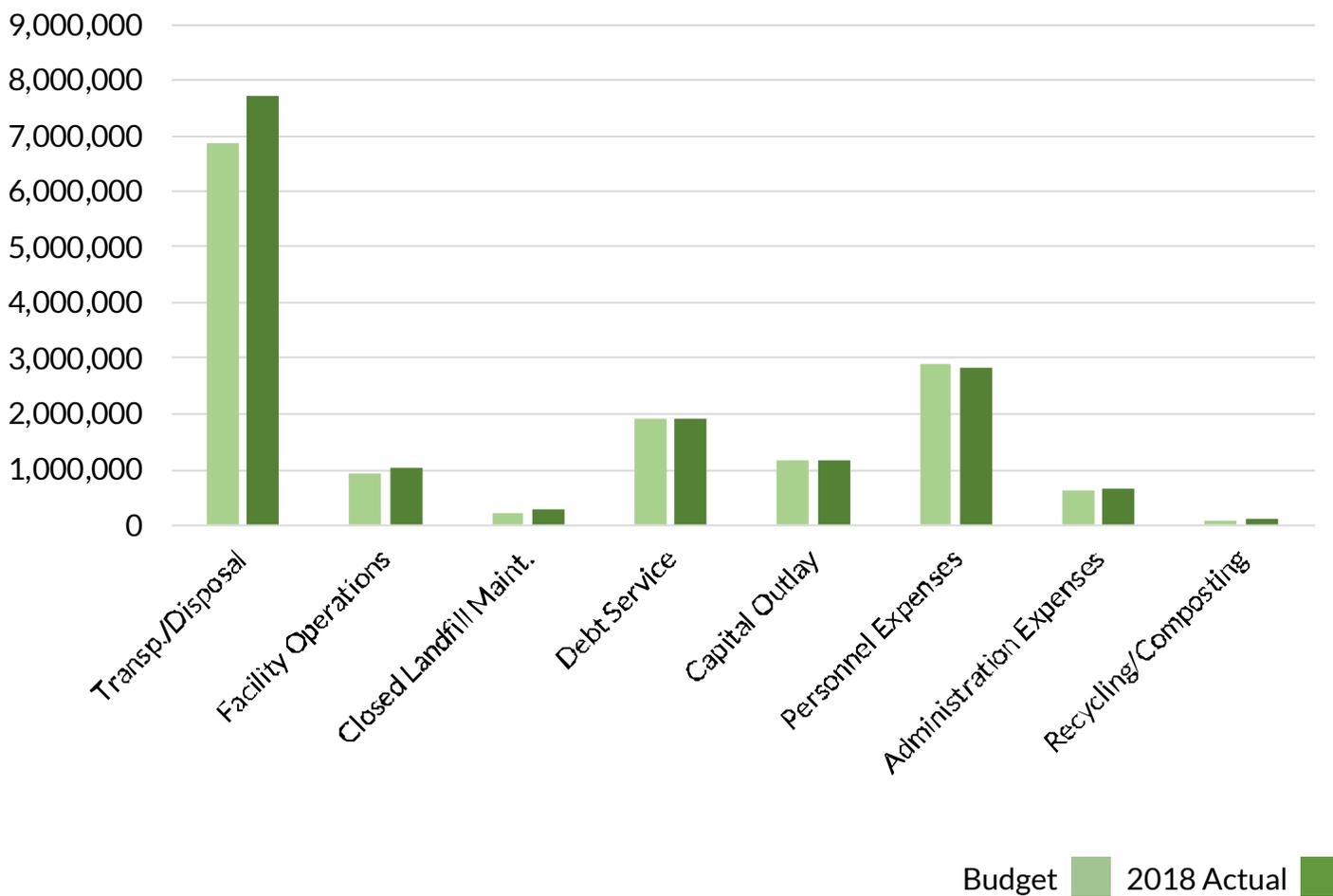


Budget ■ 2019 Actual ■



Budget vs. Actual Expenses (continued)

2018 Expenses



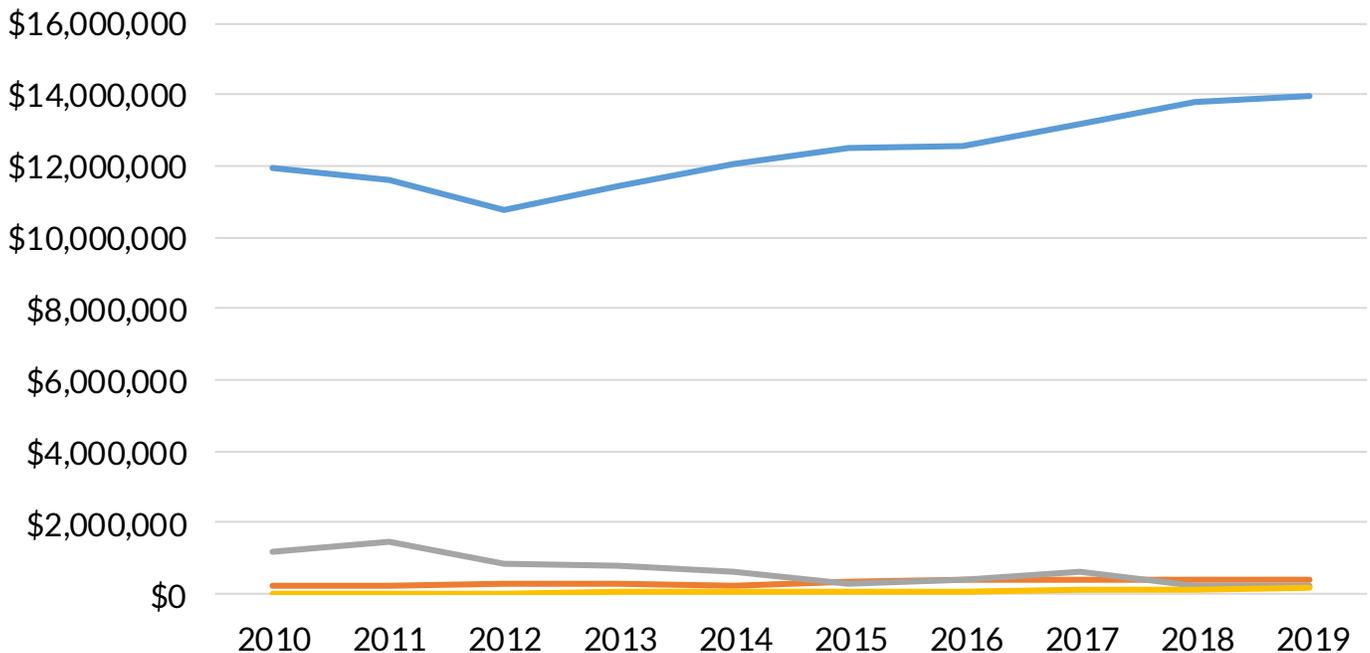
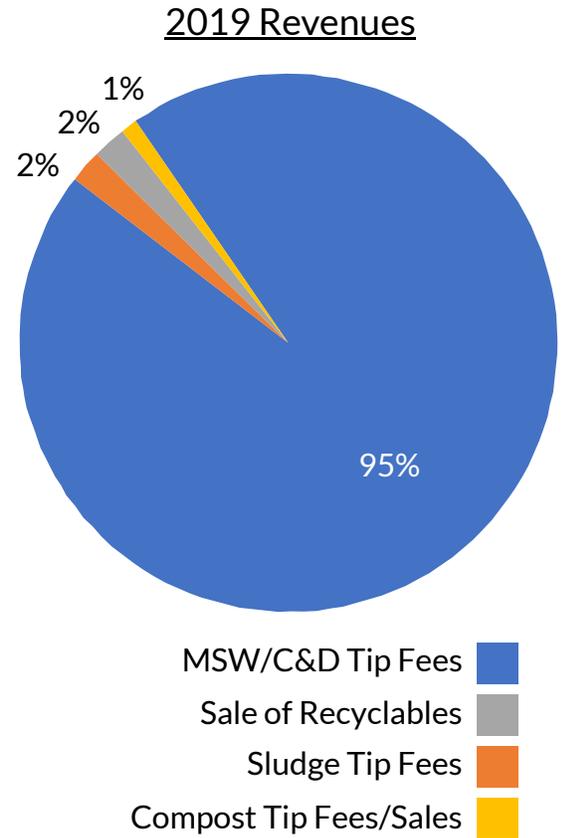


Revenue Capacity



Revenues by Source

	MSW/C&D Tip Fees	Sludge Tip Fees	Sale of Recyclables	Compost Tip Fees/Sales
2019	\$13,957,315	374,180	234,141	161,231
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	-





Debt Capacity



Revenue Bond Coverage

Fiscal Year	Revenue	Expenses	Net Revenue Available for	Debt Service Requirements			Debt Service Coverage
				Principal	Gross Interest	Total	
2019	\$16,077,888	13,485,810	2,592,078	810,566	979,434	1,790,000	1.45
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



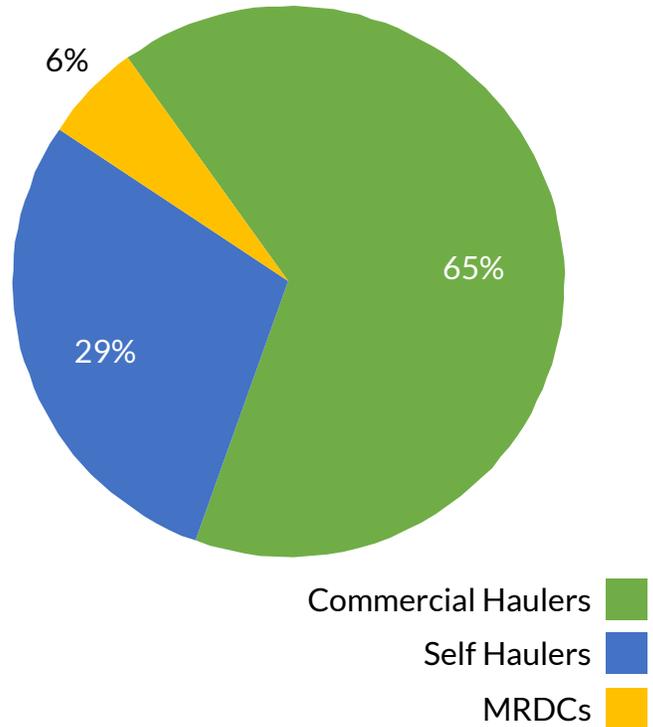
Demographic and Economic Information



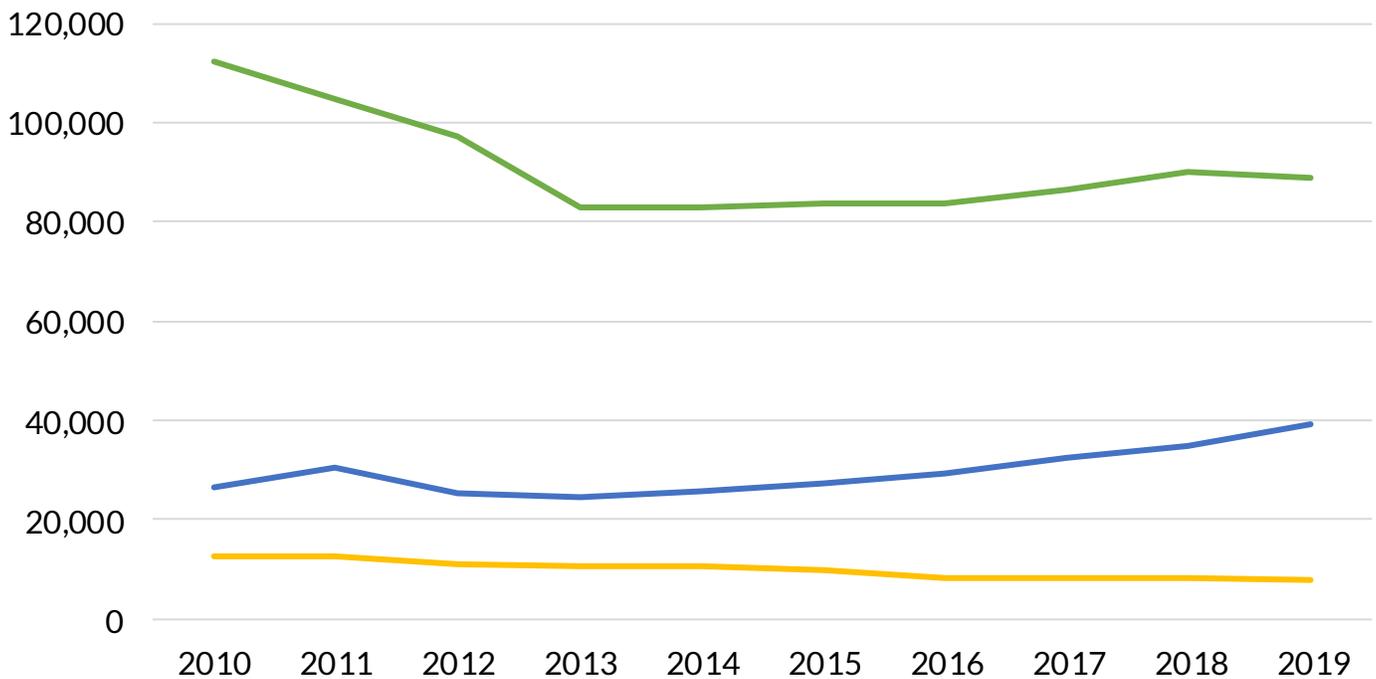
MSW/C&D Tonnages by Source

	Commercial Haulers	Self Haulers	MRDCs
2019	89,004	39,194	7,828
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

2019 Tonnages



All units in tons

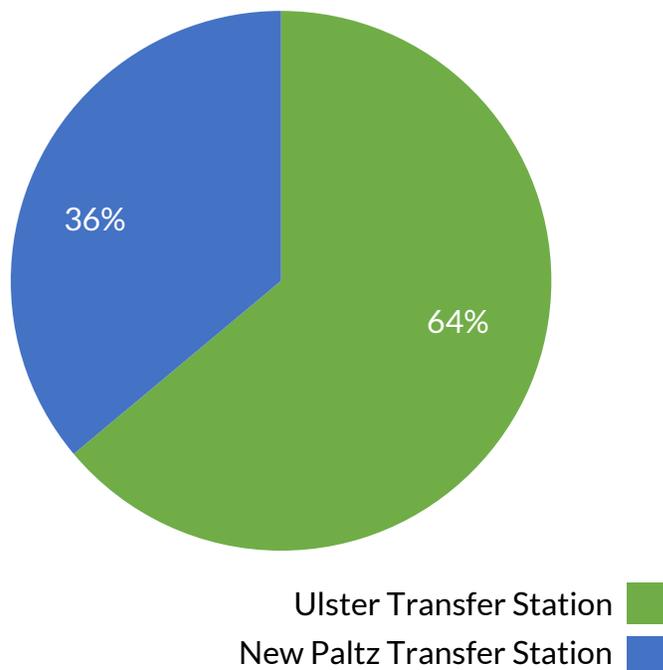




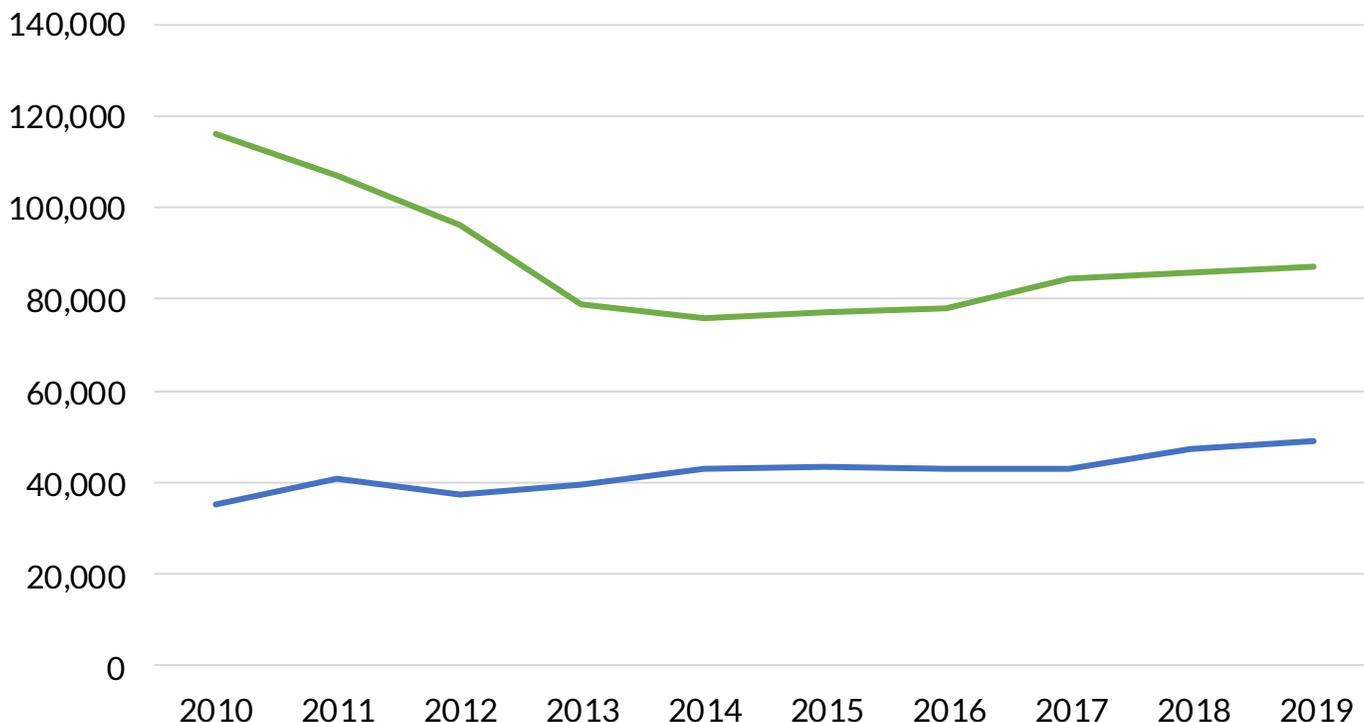
MSW/C&D Tonnages by Facility

	Ulster Transfer Station	New Paltz Transfer Station
2019	86,937	49,089
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

2019 Tonnages



All units in tons





Operating Information

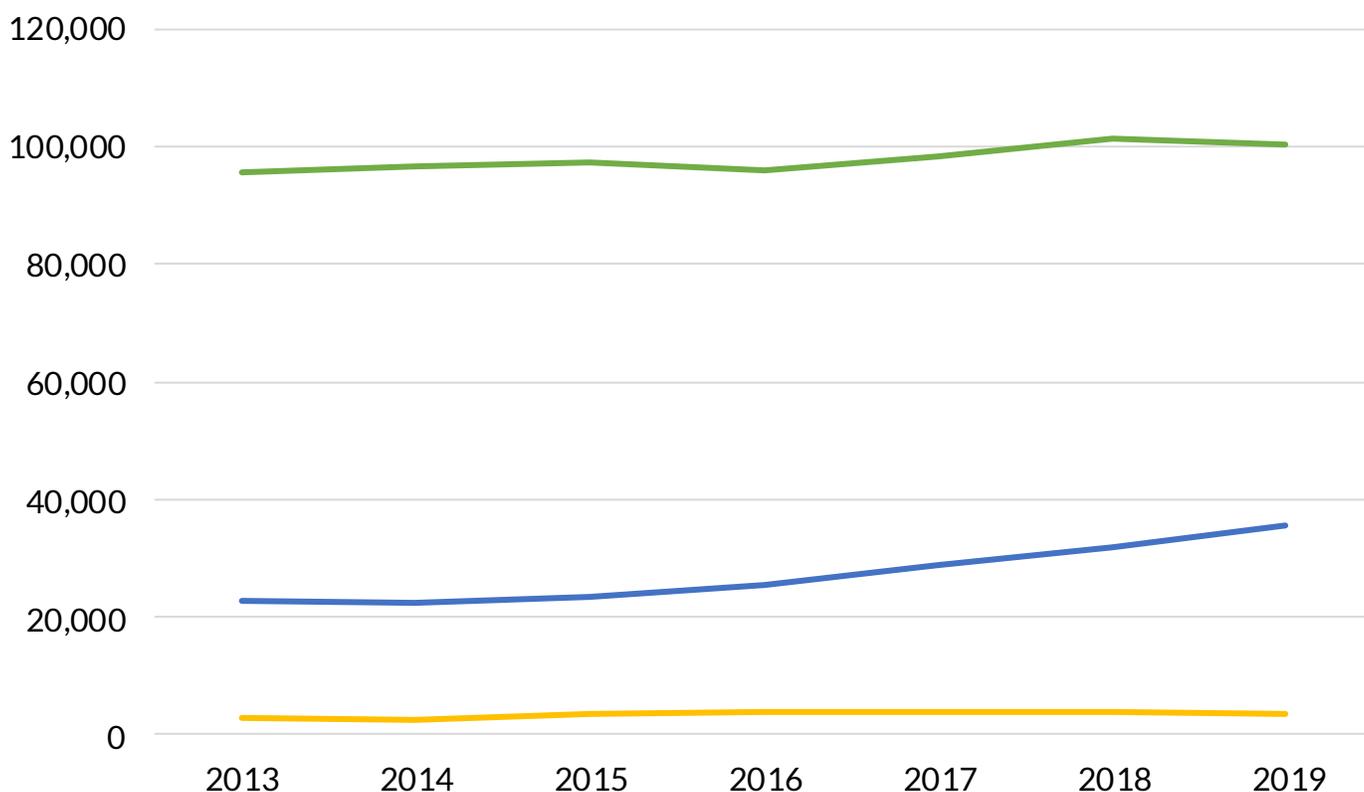
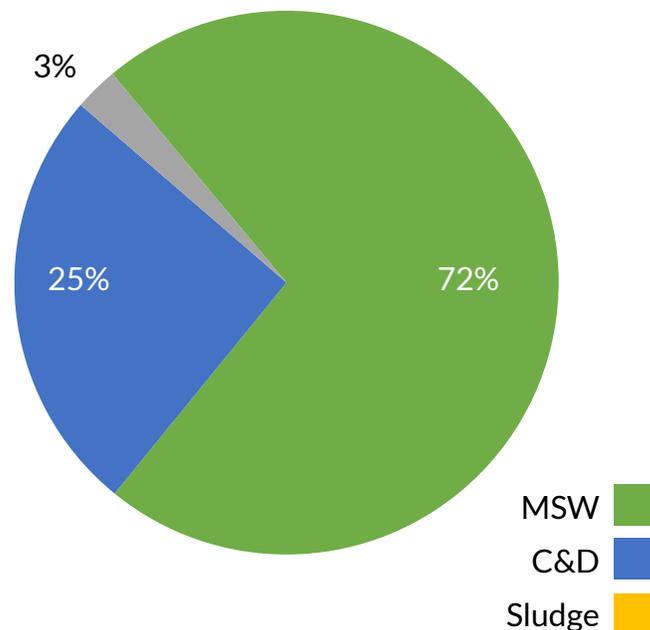


Solid Waste Tonnages by Category

	MSW	C&D	Sewage Sludge	Total
2019	100,462	35,564	3,633	139,659
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

2019 Tonnages





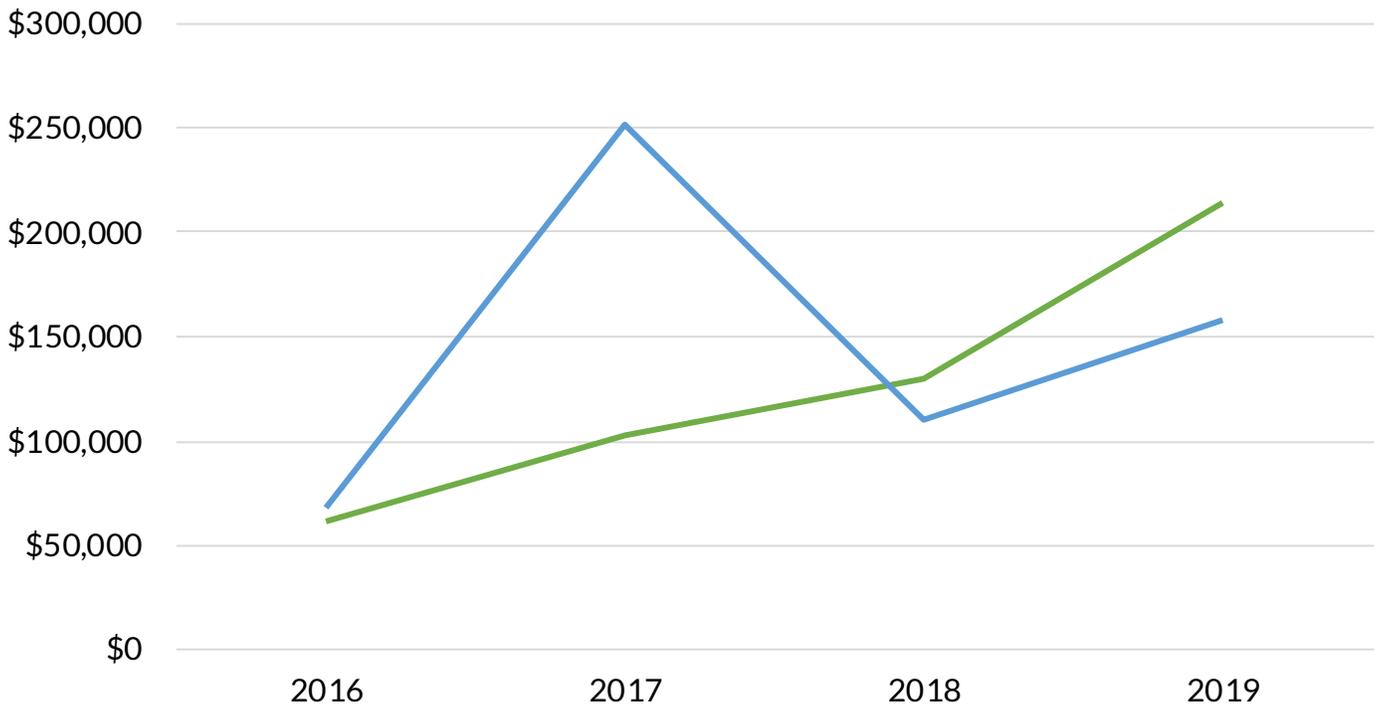
MRF Cost Center Analysis

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Recycling Service Fees	252,287	210,963	121,513	5,317	-	-	-	151,576	286,245	51,305
Sales of Processed Recyclables	1,165,973	1,438,023	774,415	754,780	571,279	263,147	351,853	565,231	164,842	185,981
Total Revenues	1,418,260	1,648,986	895,928	760,097	571,279	263,147	351,853	716,807	451,087	237,286
Transportation/ Disposal Costs	110,852	123,615	9,493	898	180	154	340	888	378,278	94,928
Personnel Expenses	641,291	539,917	386,455	328,238	305,629	294,366	309,841	312,544	349,848	346,556
Operating Costs	200,847	184,388	160,632	121,104	122,756	110,464	78,729	96,263	111,262	91,938
Total Expenses	952,990	847,920	556,580	450,240	428,565	404,984	388,910	409,695	839,388	533,422
Excess (Deficient) Revenue Over Expenses	465,270	801,066	339,348	309,857	142,714	(141,837)	(37,057)	307,112	(388,301)	(296,136)



Compost Cost Center Analysis

	2016	2017	2018	2019
Tipping Fees	\$36,016	73,978	88,838	109,655
Compost Sales	\$25,725	28,878	41,496	51,576
Grant Revenues	\$-	-	-	52,442
Total Revenues	\$61,741	102,856	130,334	213,673
Personnel Expenses	\$21,236	34,485	52,651	55,920
Operating Costs	\$7,212	11,565	51,112	48,673
Capital Outlay	\$39,128	204,880	6,130	52,442
Total Expenses	\$67,576	250,930	109,893	157,035
Excess (Deficient) Revenue Over Expenses	<u><u>\$(5,835)</u></u>	<u><u>(148,074)</u></u>	<u><u>20,441</u></u>	<u><u>56,638</u></u>



■ Total Revenues
■ Total Expenses