

FINANCIAL REPORT
Audited
DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
(A Component Unit of Dutchess County, New York)
DUTCHESS COUNTY, NEW YORK
December 31, 2019 and 2018

Audited for:

Board of Directors
Dutchess County Resource Recovery Agency

Audited By:
RBT CPAs, LLP
11 Racquet Road
Newburgh, NY 12550
(845) 567-9000

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 - 7
Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to the Financial Statements	11 - 27
Required Supplementary Information	
Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios	28
Schedule of Proportionate Share of the Net Pension Liability	29
Schedule of Employer Contributions	30
Other Reporting Required by <i>Government Auditing Standards</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 - 32



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Dutchess County Resource Recovery Agency (“the Agency”), a component unit of Dutchess County, New York, 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

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.

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Resource Recovery Agency as of December 31, 2019 and 2018, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Agency's Total OPEB Liability, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 3 - 7, 28, 29, and 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the Dutchess County Resource Recovery Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dutchess County Resource Recovery Agency's internal control over financial reporting.

RBT CPAs, LLP

Newburgh, New York
March 26, 2020

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Dutchess County Resource Recovery Agency (the "Agency") financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2019 and December 31, 2018 as mandated by GASB#34. Please read this discussion and analysis along with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

The facility processed 22,353 more tons in 2019, compared to the previous year, resulting in increased tipping fees of \$1,784,825 and increased energy sales revenue of \$1,106,439. In the prior year there was substantial downtime for facility maintenance needs which resulted in less waste being processed and increased penalties to the Operator. The increase in tipping fees was also due to the Agency increasing rates for tipping fees in 2019, based on the same adjustment factor used for service fees to the Operator.

Payments to the Operator (service fees) increased by \$2,895,076, mainly due to increased tonnage processed in 2019 and a reduction in penalty payments compared to 2018 for not meeting performance guarantees. With the increase in waste processed there was also an increase in residue disposal costs of \$787,350 in 2019.

	<u>2019</u>	<u>2018</u>	2019 & 2018 Variance <u>Over (Under)</u>
Total Tonnage Processed	152,747	130,394	22,353
Total Tonnage Diverted/Bypassed	-	24,011	(24,011)
	<u>152,747</u>	<u>154,405</u>	<u>(1,658)</u>
Energy Sales	<u>\$ 2,537,956</u>	<u>\$ 1,431,517</u>	<u>\$ 1,106,439</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overview of the Financial Statements

Statements of Net Position

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

Statements of Net Position – Summary:

As of December 31,	2019	2018	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 6,216,028	\$ 6,345,061	\$ (129,033)	-2%
Capital Assets, Net of Accumulated Depreciation	14,636,670	16,381,857	(1,745,187)	-10%
Total Assets	20,852,698	22,726,918	(1,874,220)	-8%
Deferred Outflows of Resources	264,722	324,894	(60,172)	-19%
Total Assets and Deferred Outflows of Resources	21,117,420	23,051,812	(1,934,392)	-8%
Liabilities:				
Long-term Debt Outstanding	9,990,178	11,195,202	(1,205,024)	-10%
Other Liabilities	2,859,679	2,824,984	34,695	1%
Total Liabilities	12,849,857	14,020,186	(1,170,329)	-8%
Deferred Inflows of Resources	10,383	43,980	(33,597)	-76%
Net Position:				
Net Investment in Capital Assets	7,780,780	8,453,652	(672,872)	-8%
Restricted Funds	1,196,452	828,935	367,517	44%
Unrestricted	(720,052)	(294,941)	(425,111)	144%
Total Net Position	\$ 8,257,180	\$ 8,987,646	\$ (730,466)	-8%

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statements of Revenue, Expenses, and Changes in Net Position

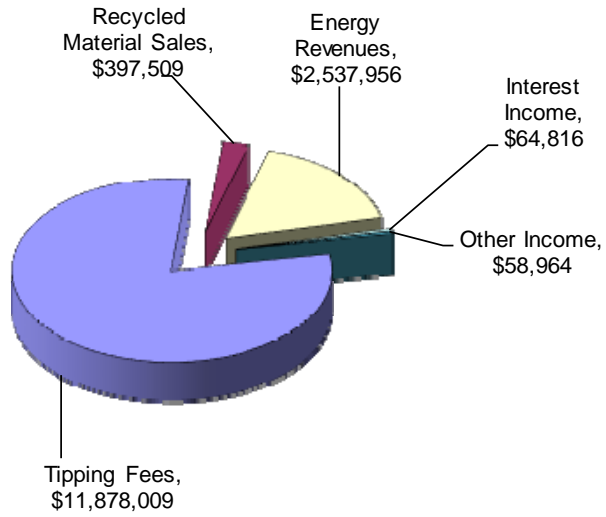
Changes in net position, as presented on the statements of net position, are based on the activity presented in the statements of revenue, expenses and changes in net position. The purpose of the statements is to present the revenue received by the Agency, both operating and non-operating, and the expenses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

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

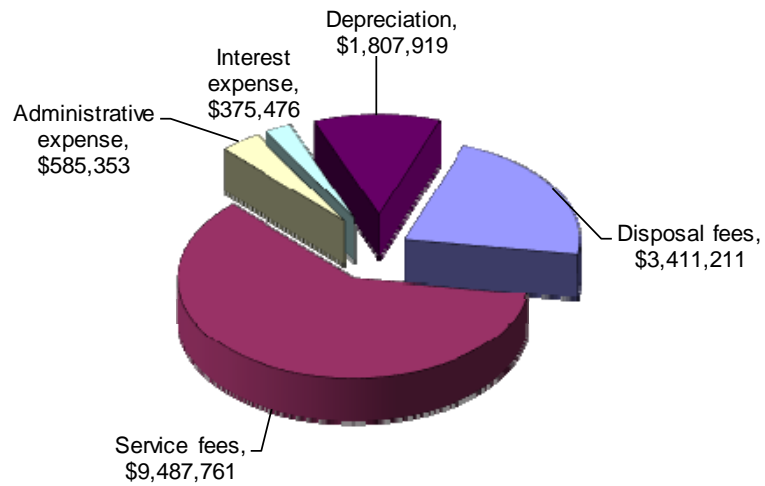
Years Ended December 31,	2019	2018	\$ Change	% Change
Operating Revenue:				
Tipping Fees	\$ 11,878,009	\$ 10,093,184	\$ 1,784,825	18%
Recycled Materials Sales	397,509	453,624	(56,115)	-12%
Energy Revenues	2,537,956	1,431,517	1,106,439	77%
Total Operating Revenue	14,813,474	11,978,325	2,835,149	23%
Expenses:				
Disposal Fees	3,411,211	2,623,861	787,350	30%
Service Fees	9,487,761	6,592,685	2,895,076	44%
Administrative Expense	585,353	477,423	107,930	23%
Interest Expense	375,476	416,076	(40,600)	-10%
Depreciation	1,807,919	1,830,217	(22,298)	-1%
Total Expenses	15,667,720	11,940,262	3,727,458	31%
Operating Income (Loss)	(854,246)	38,063	(892,309)	-2344%
Other Income (Expense):				
Interest Income	64,816	50,317	14,499	29%
Other Income	58,964	280,324	(221,360)	-79%
Net Service Fee Accrual (Over-accrual)	-	351,124	(351,124)	-100%
Total Other Income	123,780	681,765	(557,985)	-82%
Change in Net Position	\$ (730,466)	\$ 719,828	\$ (1,450,294)	-201%

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DCRRA - ACTUAL 2019 REVENUES



DCRRA - ACTUAL 2019 EXPENSES



**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statements of Cash Flows

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

Years Ended December 31,	2019	2018
Net Cash Provided by Operating Activities	\$ 1,036,170	\$ 743,783
Net Cash Provided by Non-capital Financing Activities	21,550	280,324
Net Cash Used in Capital and Related Financing Activities	(1,503,680)	(1,657,533)
Net decrease in Cash and Cash Equivalents	(445,960)	(633,426)
Cash and Cash Equivalents at Beginning of Year	5,453,108	6,086,534
Cash and Cash Equivalents at End of Year	\$ 5,007,148	\$ 5,453,108

Additional Information

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF NET POSITION**

December 31,	2019	Restated 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 721,586	\$ 1,592,378
Cash, Cash Equivalents and Investments, Restricted (Note II)	2,607,099	2,266,306
Accounts Receivable, Less Allowance of \$15,000 in 2019 and 2018	1,182,440	864,363
Prepaid Expenses	26,440	27,590
Total Current Assets	4,537,565	4,750,637
Non-Current Assets:		
Cash, Cash Equivalents and Investments, Restricted (Note II)	1,678,463	1,594,424
Property, Plant and Equipment, Net of Accumulated Depreciation (Note III)	14,636,670	16,381,857
Total Non-Current Assets	16,315,133	17,976,281
TOTAL ASSETS	20,852,698	22,726,918
DEFERRED OUTFLOWS OF RESOURCES		
NYS Employee Retirement System (Note IV)	57,555	89,477
Deferred Loss on Refunding (Note VI)	207,167	235,417
TOTAL DEFERRED OUTFLOWS	264,722	324,894
TOTAL ASSETS AND DEFERRED OUTFLOWS	21,117,420	23,051,812
LIABILITIES		
Current Liabilities:		
Bonds Payable, Current Portion (Note VI)	1,055,000	1,015,000
Accounts Payable	274,254	380,025
Accrued Expenses Payable	568,391	37,644
Non-performance Liability (Note IX)	450,000	400,000
Accrued Interest Payable	248,625	268,925
TOTAL CURRENT LIABILITIES	2,596,270	2,101,594
Non-current Liabilities:		
Postemployment Benefit Obligations (Note V)	245,260	264,818
Bonds Payable, Less Current Portion (Note VI)	9,990,178	11,195,202
Non-performance Liability (Note IX)	-	450,000
Net NYS Employee Retirement System Liability (Note IV)	18,149	8,572
TOTAL NON-CURRENT LIABILITIES	10,253,587	11,918,592
TOTAL LIABILITIES	12,849,857	14,020,186
DEFERRED INFLOWS OF RESOURCES		
NYS Employee Retirement System (Note IV)	10,383	33,352
Deferred Capital-related Revenues	-	10,628
TOTAL DEFERRED INFLOWS	10,383	43,980
NET POSITION		
Net Investment in Capital Assets	7,780,780	8,453,652
Restricted	1,196,452	828,935
Unrestricted	(720,052)	(294,941)
TOTAL NET POSITION	\$ 8,257,180	\$ 8,987,646

See Notes to Financial Statements

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Years Ended December 31	2019	2018
Operating Revenues:		
Tipping Fees	\$ 11,878,009	\$ 10,093,184
Recycled Material Sales	397,509	453,624
Energy Revenues	2,537,956	1,431,517
Total Operating Revenues	<u>14,813,474</u>	<u>11,978,325</u>
Operating Expenses:		
Disposal Fees	3,411,211	2,623,861
Service Fees	9,487,761	6,592,685
Administrative Expenses	585,353	477,423
Interest Expense	375,476	416,076
Depreciation and Amortization	1,807,919	1,830,217
Total Operating Expenses	<u>15,667,720</u>	<u>11,940,262</u>
Operating Income (Loss)	<u>(854,246)</u>	<u>38,063</u>
Non-Operating Revenues:		
Interest Income	64,816	50,317
Other Income	58,964	280,324
Net Service Fee Adjustment (Over-accrual)	-	351,124
Total Non-Operating Revenues	<u>123,780</u>	<u>681,765</u>
Change in Net Position	(730,466)	719,828
Net Position, Beginning, as Reported	8,987,646	8,004,348
Cumulative Effect Adjustment (Note XI)	-	263,470
Net Position, Beginning, as Adjusted	<u>8,987,646</u>	<u>8,267,818</u>
Net Position, End of Year	<u>\$ 8,257,180</u>	<u>\$ 8,987,646</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF CASH FLOWS**

For the Years Ended December 31	2019	Restated 2018
Cash Flows from Operating Activities:		
Receipts From Customers	\$ 14,495,397	\$ 12,618,634
Payments to Suppliers	(13,309,071)	(11,436,037)
Payments to Employees and Benefits	(150,156)	(421,263)
Net Cash Provided by Operating Activities	<u>1,036,170</u>	<u>761,334</u>
Cash Flows from Non-capital Financing Activities		
Funds Received from Non-operating Activities	<u>21,550</u>	280,324
Net Cash Provided by Non-capital Financing Activities	<u>21,550</u>	<u>280,324</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Fixed Assets	(35,946)	-
Principal Paid on Capital Debt	(1,015,000)	(1,170,000)
Interest Received on Reserves	64,816	50,317
Interest Paid on Capital Debt	(517,550)	(555,400)
Net Cash Used by Capital and Related Financing Activities	<u>(1,503,680)</u>	<u>(1,675,083)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(445,960)	(633,425)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,453,108	6,086,533
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,007,148	\$ 5,453,108
Presented as:		
Cash and Cash Equivalents – Unrestricted	\$ 721,586	\$ 1,592,378
Cash, Cash Equivalents and Investments – Current - Restricted	2,607,099	2,266,306
Cash, Cash Equivalents and Investments – Non Current - Restricted	1,678,463	1,594,424
Total	\$ 5,007,148	\$ 5,453,108
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities		
Operating Income (Loss)	\$ (854,246)	\$ 38,063
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,807,919	1,830,217
Interest Expense	375,476	416,076
Changes in Assets and Liabilities:		
Accounts Receivable	(318,077)	640,309
Prepaid Expenses	1,150	(1,185)
Deferred Outflows - Retirement System	31,922	12,186
Accounts Payable	(105,771)	135,807
Non-Capital-Related Accrued Expenses Payable	130,747	(1,902,740)
Net Employee Retirement System Liability	9,577	(14,154)
Post Employment Benefit Obligations	(19,558)	(414,739)
Deferred Inflows - Retirement System	<u>(22,969)</u>	<u>21,494</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,036,170	\$ 761,334

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Dutchess County Resource Recovery Agency ("the Agency") was established as a public benefit corporation to perform the function of solid waste management within the County of Dutchess, State of New York. The Agency constructed a solid waste disposal resource recovery plant to be used for that purpose. The construction of the plant was financed primarily by the issuance of Dutchess County Resource Recovery Agency revenue bonds and New York State Environmental Quality Bond Act ("EQBA") grant proceeds. The New York State Environmental Quality Bond Act grant proceeds have been recorded as contributed capital in these financial statements.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Agency is considered a component unit of the financial reporting entity known as Dutchess County. Inclusion in the financial reporting entity, Dutchess County, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity" as amended. The Dutchess County Executive, and/or Members of the County Legislature appoint all of the Agency's Board Members. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14, as amended.

B. Proprietary Fund Accounting

As described above, the Agency performs the function of solid waste management for the residents of the County of Dutchess. Its operations are financed primarily through user charges (tipping fees). Under standards set by the GASB, the Agency is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources.

The Agency considers all revenues as operating revenues, except that subsidies and grants which finance either capital or current operations are reported as non-operating revenues.

The Agency generally applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all cash and cash equivalents, whether unrestricted or restricted, with an original maturity of three months or less to be cash equivalents.

D. Capital Assets

Capital Assets are reported at historical cost. The Agency depreciates capital assets using the straight line method over the estimated useful lives of the assets. Capitalization thresholds and estimated lives of assets are reported in the Government-wide statements are as follows:

<u>Assets</u>	<u>Years</u>
Property	20
Plant	40
Equipment	3-40

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and Receivables

Revenues are generally derived from tipping fees charged to customers and electrical generation, and are considered to be operating revenues. Non-operating revenues include Dutchess County-funded revenues based on a contract with the County to provide a Net Service Fee to subsidize the Agency in event of a contractually calculated loss.

Receivables represent outstanding tipping fees. The Agency has established an allowance for uncollectible accounts in the event a customer is unable to pay the Agency for use of the facility.

F. Debt Issuance Costs

Costs incurred relating to the issuance of Agency bonds and bond anticipation notes are expensed as incurred, in accordance with GASB Statement No.65.

G. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds attributable to acquisition, construction or improvement of those assets, increased by deferred outflows of resources and costs incurred to obtain such financing, and decreased by deferred inflows of resources and un-amortized cost reimbursements.

Restricted – Consist of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation; or (3) cash and cash equivalents that are restricted for capital asset acquisition.

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

H. Income Taxes

The Agency is exempt from federal income taxes under Internal Revenue Service Code Section 115.

I. Insurance

The Agency assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance and/or in contractual agreement with the plant operator. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations.

J. Postemployment Benefit Obligations

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Use of Estimates

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

L. Subsequent Events

The Agency has evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2019 through March 26, 2020, the date on which the financial statements were available to be issued.

II. CASH, CASH EQUIVALENTS AND INVESTMENTS

Statutes authorize the Agency to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations. The Agency has investments in money market funds, which invests at least 99.5% of assets in U.S. Treasury Bills.

In addition, the Agency, through the General Bond Resolution adopted August 6, 1998, is authorized to invest funds held under the Resolution in "Qualified Investments". Qualified Investments include the above described investments as well as certain types of commercial paper, money market accounts, and investment agreements.

In January 1999, the Agency entered into a Flexible Draw Investment Agreement between the Agency, a commercial entity, and the Bond Trustee, which provides for the investment of certain restricted funds until the maturity date of the bonds. The Agency has obtained a financial guaranty insurance policy, which provides for payment of amounts due under the agreement, if not made when due.

Cash deposits are secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance. The Agency's deposits are categorized below to give an indication of the level of risk assumed by the Agency.

- 1) Insured or collateralized with securities held by the Agency or by its agent in the Agency's name;
- 2) Collateralized with securities held by the pledging institution's trust department or agent in the Agency's name;
- 3) Uncollateralized.

Investments are categorized into these three categories of credit risk:

- 1) Insured or registered, or securities held by the Agency or its agent in the Agency's name; included in Category 1 are funds invested in securities of the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations;
- 2) Uninsured and registered, with securities held by the counter-party's trust department or agent in the Agency's name;
- 3) Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent, but not in the Agency's name.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

II. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Balances as of December 31, 2019				
	Category 1	Category 2	Category 3	Total
Cash and Cash Equivalent Balances:				
Cash In Banks	\$ 250,000	\$ 1,674,633	\$ -	\$ 1,924,633
Cash and Cash Equivalent Total:	250,000	1,674,633	-	1,924,633
Investments:				
Money Market Funds	-	3,089,110	-	3,089,110
Investments Total	-	3,089,110	-	3,089,110
Total Cash, Cash Equivalents, and Investments	\$ 250,000	\$ 4,763,743	\$ -	\$ 5,013,743

Restated Balances as of December 31, 2018				
	Category 1	Category 2	Category 3	Total
Cash and Cash Equivalent Balances:				
Cash In Banks	\$ 250,000	\$ 2,396,585	\$ -	\$ 2,646,585
Cash and Cash Equivalent Total:	250,000	2,396,585	-	2,646,585
Investments:				
Money Market Funds	-	3,031,796	-	3,031,796
Investments Total	-	3,031,796	-	3,031,796
Total Cash, Cash Equivalents, and Investments	\$ 250,000	\$ 5,428,381	\$ -	\$ 5,678,381

Bank balances differ from the Agency's cash balances by the amount of outstanding items clearing in the following month.

Disclosures relating to risk and type of investments as presented above are indicative of activity and positions held during the year.

Restricted Assets

In accordance with the terms of the general bond resolution, bond and note proceeds, accrued interest receivable, the initial collection of tipping fees and energy revenues, and investments are administered and reported upon by a trustee on behalf of the Agency and are restricted.

The Debt Service Reserve Funds are funded in an amount equal to the greater of any annual principal and interest or sinking fund payments, but limited to 10% of the original principal amount of the 2017 Refunding bonds. The Reserve and Contingency Fund is funded in an amount at least equal to 10% of the debt service payments required for the current year. However, since these funds are not anticipated to be used in the subsequent year, they have been classified as restricted noncurrent assets on the balance sheet.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

II. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Restricted Assets (Continued)

The proceeds from collections of energy revenues, which had not yet been released by the trustee, and funds available for the January 1, bond principal and interest payments, amounted to \$2,607,099 at December 31, 2019 and \$2,266,306 at December 31, 2018, and are included in Restricted Current Cash and Cash Equivalents.

Restricted Assets are summarized as follows:

	<u>2019</u>	<u>Restated 2018</u>
Current- Restricted Assets		
Series 2017 Bonds	\$ 1,410,647	\$ 1,437,371
Energy Revenues and Debt Service Funds	1,196,452	828,935
Total Current - Restricted Assets	<u>\$ 2,607,099</u>	<u>\$ 2,266,306</u>
Non-Current Restricted Assets		
Series 2017 Bonds	\$ 1,678,463	\$ 1,594,424
Total Non-Current - Restricted Assets	<u>\$ 1,678,463</u>	<u>\$ 1,594,424</u>

III. PROPERTY, PLANT AND EQUIPMENT

Activities involving Property, Plant and Equipment for the year ended December 31, 2019, are as follows:

	<u>Balance as of December 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of December 31, 2019</u>
Property	\$ 517,591	\$ -	\$ -	\$ 517,591
Plant	63,774,179	73,360	-	63,847,539
Equipment	61,487	-	-	61,487
	64,353,257	73,360	-	64,426,617
Less: Accumulated Depreciation	(47,971,400)	(1,818,547)	-	(49,789,947)
Property, Plant, Equipment Net	<u>\$ 16,381,857</u>	<u>\$ (1,745,187)</u>	<u>\$ -</u>	<u>\$ 14,636,670</u>

Depreciation was recorded in the amount of \$1,818,547 and \$1,844,070 less amortization of deferred revenues associated with the funding of capital improvements of \$10,628 and \$13,853, resulting in \$1,807,919 and \$1,830,217 of depreciation expense for the years ended 2019 and 2018, respectively.

IV. EMPLOYEE RETIREMENT SYSTEMS

Plan Description

The Agency is required to participate in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan System (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

IV. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Funding Policy

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

The Agency is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two plan years ended March 31:

2019	\$	17,159
2018	\$	26,030
2017	\$	41,623

The Agency's contributions made to the System were equal to 100% of the contributions required for those years.

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

At December 31, 2019, the Agency reported a liability of \$18,149 for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as April 1, 2018. 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, respectively, the Agency's proportion was .0002562 and .0002656 percent of the Employers' Retirement System liability.

For the years ended December 31, 2019 and 2018, the Agency recognized pension expense of \$35,256 and \$32,396 respectively. At December 31, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources:		
Differences between Expected and Actual Experience	\$ 3,574	\$ 3,057
Changes of Assumptions	4,562	5,684
Net Difference Between Projected and Actual Investment Earnings	-	12,450
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	36,984	55,417
Employer Contributions Subsequent to the Measurement Date	12,435	12,869
Total Deferred Outflows of Resources	<u>\$ 57,555</u>	<u>\$ 89,477</u>
Deferred Inflows of Resources:		
Differences between Expected and Actual Experience	\$ 1,218	\$ 2,526
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	4,658	24,575
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,507	6,251
Total Deferred Inflows of Resources	<u>\$ 10,383</u>	<u>\$ 33,352</u>

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

IV. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

\$12,435 and \$12,869 reported as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability, in the years ended December 31, 2019 and 2018, respectively. 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	\$ 21,014
2021	5,598
2022	4,356
2023	3,769
	<u>\$ 34,737</u>

Actuarial Assumptions

The total pension liability at March 31, 2019 and 2018, was determined by using an actuarial valuation as of April 1, 2018 and 2017, with update procedures used to roll forward the total pension liability to March 31, 2019 and 2018. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2018 and 2017, valuation were as follows:

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Inflation	2.5%	2.5%
Salary Increases - ERS	4.2%	3.8%
Investment Rate of Return (net of investment expense, including inflation)	6.8%	7.0%
Cost of Living Adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2018 and 2017 valuations are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

IV. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 and 2018 are summarized below:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2019	2018	2019	2018
Domestic equity	36.0%	36.0%	4.55%	4.55%
International equity	14.0	14.0	6.35	6.35
Private equity	10.0	10.0	7.50	7.50
Real estate	10.0	10.0	5.55	5.55
Absolute return strategies	2.0	2.0	3.75	3.75
Opportunistic portfolio	3.0	3.0	5.68	5.68
Real assets	3.0	3.0	5.29	5.29
Bonds and mortgages	17.0	17.0	1.31	1.31
Cash	1.0	1.0	(0.25)	(0.25)
Inflation-indexed bonds	4.0	4.0	1.25	1.25
Total	100.0%	100.0%		

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 these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

Measurement Date	1% Decrease	Current Assumption	1% Increase
March 31, 2019	(6.0%)	(7.0%)	(8.0%)
Agency's Proportionate Share of the Net ERS Pension Liability/(Asset)	\$ 79,352	\$ 18,149	\$ (33,265)
Measurement Date	1% Decrease	Current Assumption	1% Increase
March 31, 2018	(6.0%)	(7.0%)	(8.0%)
Agency's Proportionate Share of the Net ERS Pension Liability/(Asset)	\$ 64,857	\$ 8,572	\$ (39,043)

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

IV. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2019 and 2018, were as follows:

	Dollars in Thousands	
	Employees' Retirement System	
	March 31, 2019	March 31, 2018
Employers' total pension liability	\$(189,803,429)	\$ (183,400,590)
Plan net position	182,718,124	180,173,145
Employers' net pension liability	<u>\$ (7,085,305)</u>	<u>\$ (3,227,445)</u>
Ratio of plan	96.27%	98.24%

V. POST EMPLOYMENT BENEFITS

Plan Description

The Agency provides postemployment health insurance coverage to retired employees through a self-administered single employer plan in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Agency's policy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a stand-alone financial report.

Benefits Provided

The Agency's OPEB plan subsidizes the cost of healthcare to eligible retired employees and their spouses. Eligibility is based on the respective rules of the New York State and Local Employees Retirement System (ERS) as well as the provisions of the Agency's agreements with its employees. The following eligibility rule currently applies to the Agency's employees:

-Staff: eligibility for retirement under ERS; 10 years of Agency service

Medical and prescription drug benefits are offered to retirees on an Agency-subsidized basis. Upon attaining age 65 or upon disability retirement, Medicare (Parts A and B) becomes the primary provider for hospital insurance and supplementary medical insurance, with the Agency's plan providing an additional layer of coverage. The Agency reimburses retirees and their spouses for Medicare Part B premiums.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

V. POST EMPLOYMENT BENEFITS (CONTINUED)

Contribution rates, as of December 31, 2019, for new retirees are as follows:

Group	Provider Options	Years of Service	Age	Agency Contributions (Fixed)				Reimburse Part B Premium		
				Individual	Spouse	Individual and Children	Family	Individual	Spouse	Surviving Spouse
All Employees	NYSHIP	10 - 14	Under 65	\$ 517.24	N/A	N/A	\$ 844.47	Y	Y	Y
		10 - 14	Over 65	201.64	N/A	N/A	396.75			
		15 - 19	Under 65	620.68	N/A	N/A	1,085.75			
		15 - 19	Over 65	241.96	N/A	N/A	510.11			
		20 - 24	Under 65	724.13	N/A	N/A	1,327.02			
		20 - 24	Over 65	282.29	N/A	N/A	623.46			
		25 +	Under 65	827.58	N/A	N/A	1,568.30			
		25 +	Over 65	322.62	N/A	N/A	736.82			

Contribution rates, as of December 31, 2018, for new retirees are as follows:

Group	Options	Service	Age	Agency Contributions (Fixed)				Reimburse Part B Premium		
				Individual	Spouse	and Children	Family	Individual	Spouse	Spouse
All Employees	NYSHIP	10 - 14	Under 65	\$ 507.49	N/A	N/A	\$ 821.85	Y	Y	Y
		10 - 14	Over 65	222.20	N/A	N/A	422.43			
		15 - 19	Under 65	608.99	N/A	N/A	1,056.67			
		15 - 19	Over 65	266.63	N/A	N/A	543.13			
		20 - 24	Under 65	710.49	N/A	N/A	1,291.48			
		20 - 24	Over 65	311.07	N/A	N/A	663.82			
		25 +	Under 65	811.98	N/A	N/A	1,526.30			
		25 +	Over 65	355.51	N/A	N/A	784.52			

The Agency's contribution is equivalent to that portion of health insurance premiums paid that are allocated to retirees, estimated to be \$36,769 and \$68,478 during the years ended December 31, 2019 and 2018, respectively.

Employees Covered by Benefit Terms

At December 31, the following employees were covered by benefit terms:

	2019	2018
Active employees	1	1
Retired	5	5
Total employees covered by benefit terms	<u>6</u>	<u>6</u>

Total OPEB Liability

The Agency obtained an actuarial valuation report as of December 31, 2019. The liability for other postemployment benefits was measured as of December 31, 2019. The total liability for other postemployment benefits is \$245,260, of which \$245,260 is reflected in the Statement of Net Position.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

V. POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31 actuarial valuation was determined used the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

	2019	2018
Projected Salary Increases, Including Wage Inflation	3.00%	3.00%
Discount Rate	3.00%	4.19%
Healthcare Cost Trend Rates		
	Pre-65: Ranging from 7.6% to 3.0% for Pharmacy, medical, dental and vision for 2019, reduced incrementally to an ultimate rate of 4.7% to 3.0% after 10 years	Pre-65: Ranging from 7.6% to 3.0% for Pharmacy, medical, dental and vision for 2018, reduced incrementally to an ultimate rate of 4.7% to 3.0% after 10 years
	Post-65: Same	Post-65: Same
Current Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement	Retirees pay based on specific cost sharing agreement
Future Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement	Retirees pay based on specific cost sharing agreement

The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments.

Mortality Rates were based the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

The actuarial assumptions used in the December 31, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

V. POST EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability:

Changes in the Current OPEB Liability	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balance - Beginning	\$ 264,818	\$ 416,087
Changes for the Year:		
Service Cost	82,323	82,323
Interest	7,967	11,610
Changes of Benefit Terms	(43,499)	(140,571)
Changes in Assumptions or Other Inputs	(9,084)	(36,153)
Benefit Payments	<u>(57,265)</u>	<u>(68,478)</u>
Net Changes	<u>(19,558)</u>	<u>(151,269)</u>
Balance - Ending	<u>\$ 245,260</u>	<u>\$ 264,818</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current discount rate.

As of December 31, 2019:

	1% Decrease 2.00%	Discount Rate 3.00%	1% Increase 4.00%
Total OPEB Liability	\$ 263,925	\$ 245,260	\$ 228,461

As of December 31, 2018:

	1% Decrease 2.00%	Discount Rate 3.00%	1% Increase 4.00%
Total OPEB Liability	\$ 285,388	\$ 264,818	\$ 246,366

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

V. POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or higher than the healthcare cost trend rate.

As of December 31, 2019:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 227,460	\$ 245,260	\$ 264,688

As of December 31, 2018:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 245,082	\$ 264,818	\$ 286,456

VI. BONDS PAYABLE

Revenue Bond Terms – 2017 Series

In May 2017, the Agency issued the 2017 Series Refunding Bonds in the amount of \$12,130,000 to refund the outstanding principal amount of the Agency's 2007 Series bonds. The 2007 Series bonds had been issued to fund improvements required by compliance with the Clean Air Act (US Code Title 42, Chapter 85, as amended). The Agency received a bond premium in the amount of \$1,500,243, paid certain costs of issuance and established a debt reserve fund as part of the refunding. The Agency incurred a loss on refunding as a result of this transaction in the amount of \$282,501.

The 2017 Series Bonds are payable from and secured by an express lien on the unexpended proceeds of the bonds held by the Trustee; the Agency's right to receive and/or enforce receipt of revenues; and the Agency's rights and remedies under certain agreements. In addition, the Agency is required to fulfill certain covenants as described below.

Bond Covenants

The Agency has covenanted under the indenture that it will fix, collect and maintain tipping fees and other operating revenues earned from the disposal of solid waste at the plant plus investment earnings will equal or exceed the sum of (i) all operating expenses of the Agency contained in the budget for such bond year, (ii) an amount equal to 110% of the debt service requirement for such bond year and (iii) amounts, if any, necessary to fund the debt service reserve fund to the debt service reserve requirement or to fund the reserve and contingency fund to the reserve and contingency fund requirement.

The Agency must obtain additional certifications regarding events of default occurring, landfill capacity and the quantity of waste processed. The Agency must maintain various accounts, described as Restricted Assets in Note II, which are subject to minimum funding requirements. At December 31, 2019 and 2018, these reserves exceeded their funding requirements.

Further, upon events of default occurring, the Bond Trustee and/or bondholders have certain remedies, including calling the outstanding bonds and receiving payment. No events of default have occurred during 2019 or 2018.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

VI. BONDS PAYABLE (CONTINUED)

Bond Maturities

Bonds payable, with interest payable semiannually on January 1 and July 1, consist of the following as of December 31, 2019 and 2018:

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>2017 Series Outstanding December 31, 2019</u>	<u>2017 Series Outstanding December 31, 2018</u>
Serial Bonds				
	3.00%	2017	-	1,015,000
	4.00%	2017	1,055,000	1,055,000
	5.00%	2017	1,105,000	1,105,000
	5.00%	2017	1,165,000	1,165,000
	5.00%	2017	1,220,000	1,220,000
	5.00%	2017	1,280,000	1,280,000
	5.00%	2017	1,350,000	1,350,000
	5.00%	2017	1,415,000	1,415,000
	5.00%	2017	1,355,000	1,355,000
			9,945,000	10,960,000
			1,100,178	1,250,202
			(1,055,000)	(1,015,000)
			\$ 9,990,178	\$ 11,195,202

Add Unamortized bond premium

Less Current Maturities of Bonds Payable

Bonds Payable - Long Term

Future Annual Amortization required payments for Bonds Payable:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,055,000	\$ 470,875	\$ 1,525,875
2021	1,105,000	416,875	1,521,875
2022	1,165,000	360,125	1,525,125
2023	1,220,000	300,500	1,520,500
2024	1,280,000	238,000	1,518,000
2025-2027	4,120,000	309,250	4,429,250
Totals	\$ 9,945,000	\$ 2,095,625	\$ 12,040,625

Bond Interest Expense

Interest expense is composed of the following:

	<u>2019</u>	<u>2018</u>
Interest Paid, January 1 and July 1	\$ 517,550	\$ 555,400
Less Interest accrued - prior year	(268,925)	(286,475)
Plus Interest accrued - current year	248,625	268,925
Less Amortization of bond premium	(150,024)	(150,024)
Plus amortization of loss on refunding	28,250	28,250
Total Interest Expense	\$ 375,476	\$ 416,076

Both the bond premium and the loss on refunding are being amortized over the term of the related debt of ten years.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

VII. COMMITMENTS

Solid Waste Disposal Service Agreement

The Agency and Dutchess County entered into a solid waste disposal service agreement dated December 1, 1984, the most recent amendment being dated January 7, 2016. The County agreed to deliver at least 140,000 tons per year of solid waste to the plant and to pay net service fees to the Agency amounting to the excess of payments for debt service and reserves, fees to the contractor and accrued expenses over tipping fees, energy and other revenues. It is the Agency's obligation to process and to provide for disposal of the solid waste. The terms of the agreement were extended during 2007 to remain in effect through July 1, 2027.

Operations Service Agreement

The Agency has entered into an operations service agreement with a commercial corporation wherein the corporation has agreed to operate the resource recovery plant, and the Agency is required to provide the plant with a guaranteed amount of solid waste, provide an ash landfill, and pay fees to the corporation.

The Agency has contracted to pay to the operator \$68 per net ton of solid waste processed, \$0.83 per ton of net Agency processed tonnage for turbine generator maintenance fees plus adjustments based upon changes in labor and material price indexes calculated on each, plus 25% of net revenues from electric and metals recycling sales.

The Agency's current operating permit allows for up to 164,000 tons to be processed at the plant. However, the Agency is required to supply 140,000 tons, or pay the corporation \$68 a ton for each ton of solid waste below that amount which is not delivered to the plant, adjusted based upon changes in labor and material price indexes. During 2019, the Agency caused to have delivered 152,747 tons, and 154,405 tons in 2018, meeting its guarantees.

Power Sales Agreement

The Agency and a commercial corporation have entered into a power sales agreement dated November 1, 1984. The Agency agrees to sell all electricity produced by the plant in excess of its own requirements to the corporation at a price based on tariffs filed with the New York State Public Service Commission. The terms of the agreement are effective through January 1, 2008 and include provisions for an automatic renewal for two consecutive 5-year periods, plus extensions, expiring January 14, 2020.

Transportation and Disposal of Ash Residue

Effective July 31, 2018, the Agency entered into a new contract with the current hauler for the transportation and disposal of ash residue. The contract period is through December 31, 2019 and includes disposal at any of three landfills. Effective January 1, 2020, the Agency entered into an annual contract with the current hauler, expiring December 31, 2020.

VIII. ECONOMIC DEPENDENCY

As described in Note X – Related-Party Transactions, the Agency is entitled to receive net service fees from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover operating expenses and debt service requirements. These payments are subject to approval by resolution of the Dutchess County Legislature.

IX. CONTINGENCIES

Operating Permits

The Agency is required to maintain operating permits for its small power production and solid waste management facility. The NYSDEC Part 360 Operating permit expired in July 2011. The Agency submitted a timely renewal application and is now operating under the State Administrative Procedures Act while the permit is under NYSDEC review. The Title V Air Control permit has been renewed and runs through October 2021.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

IX. CONTINGENCIES (CONTINUED)

Operations Service Agreement – Annual Reconciliations

The Agency employs an independent party to prepare an annual report summarizing waste processed, utility usage, supplemental compensation, and other items relating to revenues and expenses of the Operator. The Agency records a receivable and expense accrual covering amounts shown to be due to and due from Operator. The Agency and the current Operator have agreed upon and accepted the 2019 annual reconciliation.

Litigation

The Agency was a defendant in a lawsuit regarding liabilities due the former plant operator from the Agency. The matter was resolved to the mutual satisfaction of the former plant operator and the Agency in November 2017.

X. RELATED PARTY TRANSACTIONS

As more fully described in Note VIII - Economic Dependency, Dutchess County is responsible for net service fees due to the Agency. These fees amounted to \$-0- and \$351,124 during 2019 and 2018, respectively. At December 31, 2019 and December 31, 2018, respectively, the Agency was owed \$-0- and \$-0- from Dutchess County.

During 2019 and 2018, the Agency participated in the health and dental insurance plans administered by Dutchess County and was charged \$86,218 and \$91,579, respectively.

XI. SUBSEQUENT EVENTS

The power sales agreement described in Note VII, Commitments expired effective January 14, 2020. The Agency and the commercial corporation have continued to operate under the terms of the expired agreement.

XII. CUMULATIVE EFFECT ADJUSTMENT

For the year ended December 31, 2018, the Agency implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement replaces the requirements of Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and 57, OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans, for OPEB. GASB 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position (if any). The Agency's net position has been restated as follows:

Net Position Beginning of Year - January 01, 2018	\$ 8,004,348
<u>GASB 75 Implementation:</u>	
Removal of Total OPEB Liability under Statement 45	679,557
Restated Total OPEB Liability under Statement 75	<u>(416,087)</u>
Net Position Beginning of year, as restated - January 01, 2018	<u><u>\$ 8,267,818</u></u>

XIII. RECLASSIFICATIONS

Certain items for the year ended December 31, 2018 have been reclassified to conform with the presentation for the year ended December 31, 2019. There is no effect on the 2018 results from operations.

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
NOTES TO FINANCIAL STATEMENTS**

XIV. RISKS AND UNCERTAINTIES

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. The Agency exists to provide an essential government service: solid waste disposal. Accordingly, while management cannot quantify the financial and any other impacts to the Agency as of March 26, 2020, management believes that a material impact on the Agency's financial position and results of future operations is reasonably possible, due to changes in the local economy.

XV. NEW REPORTING STANDARDS

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018. There has been no effect on net position as a result of this implementation.

In March of 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits. The requirements of GASB 85 are effective for reporting periods beginning after June 15, 2018. The Agency implemented this standard for the year ended December 31, 2019. There is no effect on the Agency's statement of activities or net position.

In June of 2017, GASB issued Statement No. 87, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for periods beginning after December 15, 2019. The Agency has not evaluated the effect of GASB 87 on its financial statements.

In March 2018, GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Agency implemented this standard for the year ended December 31, 2019. There is no effect on the Agency's statement of activities or net position.

The GASB has also issued Statements 89 - 92. None of these statements are expected to have a substantive effect on the Agency's financial reporting.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
SCHEDULE OF CHANGES IN THE AGENCY’S TOTAL OPEB LIABILITY AND RELATED RATIOS**

<u>Total OPEB Liability</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Service Cost	\$ 82,323	\$ 82,323
Interest	7,967	11,610
Changes of Benefit Terms	(43,499)	(140,571)
Changes in Assumptions or Other Inputs	(9,084)	(36,153)
Benefit Payments	<u>(57,265)</u>	<u>(68,478)</u>
Net Change in Total OPEB Liability	(19,558)	(151,269)
Total OPEB liability - beginning	<u>264,818</u>	<u>416,087</u>
Total OPEB liability - ending	<u>\$ 245,260</u>	<u>\$ 264,818</u>
Covered Payroll	\$ 106,504	\$ 108,653
Total OPEB Liability as a percentage of covered payroll	230.28%	243.73%

Notes to Schedule:

Changes in Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

12/31/18	4.19%
12/31/19	3.00%

No assets are accumulated in a Trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

*GASB 75 required that the past 10 years of information be presented. Due to the fact this statement was implemented for the year ended December 31, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

Plan Year Ended	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Actual Covered Employee Payroll	Net Pension Asset (Liability) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
3/31/2019	0.0002562%	\$ 18,149	\$ 106,504	17.04%	96.27%
3/31/2018	0.0002656%	\$ 8,572	\$ 110,214	7.78%	98.24%
3/31/2017	0.0002419%	\$ 22,726	\$ 154,959	14.67%	94.70%
3/31/2016	0.0004802%	\$ 77,066	\$ 209,503	36.79%	90.70%
3/31/2015	0.0520500%	\$ 17,583	\$ 282,986	6.21%	97.90%

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

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

**DUTCHESS COUNTY RESOURCE RECOVERY AGENCY
DUTCHESS COUNTY, NEW YORK
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

Plan Year Ended	Contractually Required Contribution	Actual Employer Contribution	Contribution deficiency (excess)	Covered Employee Payroll	Contributions as a Percentage of its Covered Payroll
3/31/2019	\$ 17,159	\$ 17,159	\$ -	\$ 106,504	16.11%
3/31/2018	\$ 26,030	\$ 26,030	\$ -	\$ 110,214	23.62%
3/31/2017	\$ 41,623	\$ 41,623	\$ -	\$ 154,959	26.86%
3/31/2016	\$ 62,345	\$ 62,345	\$ -	\$ 209,503	29.76%
3/31/2015	\$ 56,026	\$ 56,026	\$ -	\$ 282,986	19.80%

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

This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dutchess County Resource Recovery Agency, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Dutchess County Resource Recovery Agency's basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dutchess County Resource Recovery Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dutchess County Resource Recovery Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Dutchess County Resource Recovery Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dutchess County Resource Recovery Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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 Dutchess County Resource Recovery Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dutchess County Resource Recovery Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Newburgh, New York

March 26, 2020