

**ULSTER COUNTY RESOURCE RECOVERY AGENCY
AUDIT COMMITTEE MEETING MINUTES
MARCH 29, 2022**

The Ulster County Resource Recovery Agency held an Audit Committee Meeting on March 29, 2022. This meeting was held virtually through Webex.

The proceedings were convened at 2:13pm.

The following Board members were present: Committee Chair Charles Landi, Members Katherine Beinkafner and Thomas Kacandes.

The following staff members were present: Executive Director/Controller Tim DeGraff.

From the public: Emily Silengo and Vincent Commisso of Teal, Becker and Chiaramonte and Ulster County Comptroller March Gallagher, Ulster County Deputy Comptroller Alicia DeMarco and Ulster County Director of Internal Audit and Control Sam Sonenberg.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Tom Kacandes motioned to approve the December 3, 2021, Audit Committee Meeting Minutes. Seconded by Katherine Beinkafner. 2 in favor, 0 opposed, 1 absent (LANDI).

ADMINISTRATIVE MATTERS

Emily Silengo and Vincent Commisso of Teal, Becker and Chiaramonte presented a review of the audit report.

Emily Silengo thanked Tim DeGraff and his team for all of their assistance during the audit.

Emily brought to the Board's attention the auditors' report in the financial statement packet, PDF page 4 of 48, which was titled "Independent Auditor's Report".

Emily Silengo discussion included the following points/comments:

- Teal, Becker & Chiaramonte issued an unmodified or clean opinion of the financial statements
- They did not find anything to modify their opinion of the financial statements as a whole
- Auditing standards changed this year. Emily stated basically the order changed from last year and the opinion paragraph is first.
- No new accounting standards issued in the current year
- Financial statements are comparable in terms of the disclosures to last year
- First 15 pages are the management's discussion and analysis which is required to be disclosed
 - Tim DeGraff prepares the management discussion
 - Emily stated this is helpful and allows the readers of the financial statements to be provided with a good understanding of the Agency and an overview of what happened over the year

- Emily stated the Agency did a good job this year. The Agency continued to adapt to the COVID 19 pandemic with increase of volume processed, and the Agency had an increase in net position which increased about \$1.8 million dollars this year despite all the challenges.

Statement of Net Position Review (Information can be viewed on PDF page 22 or titled at the bottom “page 19 of 44”)

- Assets
 - Cash increased from the prior year by about \$529,000 and that was due to increased revenues and cash flow
 - Accounts receivable increased by approximately \$320,000 from the prior year due to the increased volume and the auditors stated they would expect to see an increase
 - New line item called compost inventory which is approximately \$36,000 at year end
 - Capital assets net number was approximately \$11,434,000 and that number decreased by about \$401,000 and that is due to this being a net number. This number will fluctuate year over year, depending on the next activity
- Non-current liabilities
 - Long-term debt continues to decrease due to the required repayments being made
 - Landfills post closure liability also continues to decline-approximately 7 years left
 - Net pension liability is about \$7,000 in the current year that decreased drastically; it was over \$1.8 million dollars last year. This number fluctuates as a result of different actuarial calculations and assumptions that fluctuate each year. Calculations take into account various market value assumptions which can be seen in the footnotes. The number is a result of the economy. The number will also fluctuate depending on how well funded the state’s plan is. Current year, the plan is funded 99.96% compared to last year of 86%. This showed a less of a liability on the Agency side.

Statement of Revenues Expenses and Changes in Net Position (Information can be viewed on PDF page 23 or titled at the bottom “page 20-44”)

- Revenue
 - Overall increase due to increase in volume
 - Solid waste services fees increased about \$1.2 million due to increase in revenue
 - Recyclable material sales increased approximately \$500,000 due to the “booming” recycling markets
 - Landfill post closure care costs of \$419,000 this year. This number will fluctuate between revenue and expense item depending on the change in liability. This is driven by the change in the landfill expenses
 - Liability and expenses decreased quite a bit which fluctuates between a revenue. This was an expense last year
- Expense
 - Operating expenses increased approximately \$1.2 million from prior year
 - Due to increase in volume, expenses were expected to increase
- Net Position
 - Increase of \$1.8 million lead to a net position of \$15.7 million at year end

Statement of Cash Flows (Information can be viewed on PDF page 24 or titled at the bottom “page 21-44”)

- Operating Activities
 - Emily Silengo stated this is a good indication of the cash flows purely from an operational point of view. Approximately \$2.4 million which was comparable to last year.
 - There are no major fluctuations in this section
- Cash Flows from Capital & Related Financing Activities
 - Decrease in the purchases of capital assets
 - Due to different activities throughout the year this number will fluctuate due to needs
 - Net increase in cash of approximately \$669,000
 - Total cash and restricted cash to approximately \$6.6 million

Emily Silengo took a break for questions. March Gallagher, Ulster County Comptroller asked if she could have a copy of the document being discussed. Emily Silengo shared her screen so everyone could see the document being discussed.

Footnotes of the Financial Statement (Information can be viewed on PDF page 25 or titled at the bottom “22-44”)

- No new accounting standards this year and was very comparable to prior year
- Emily Silengo wanted to provide additional detail to some of the items previously discussed
 - Footnote #4 (Capital Assets)
 - Summary of all the capital assets through the entire year
 - It is a great summary of activities throughout the year
 - Can view all the deletions and additions
 - There are also items that moved out of the construction in progress and placed into service
 - Depreciation expense activity is listed as well
 - Net number will agree back to financial statement piece mentioned
 - Footnote #6 (Retirement Plan)
 - There is a lot of information in this footnote
 - This review is the different actuarial assumption that were used in the coming up with the pension liability number
 - Number is provided from the State reports and audits
 - Many of the numbers changed from last year
 - Studies included mortality tables, inflation, salary, scale rates and all of this is utilized to come up with pension liability number
 - Summary of the employees in the system as a whole
 - 86% funded
 - Footnote #11b (Landfill Closure & Post Closure Care Costs)
 - Summary breakdowns the liability number and where the numbers are derived from
 - Expenses incurred were about \$218,000 compared to last year which were \$270,000 and that number plays a role into the remaining total liability number-total of current position, long term portion and then one last remaining year. This number was expected to decrease.
 - Footnote #13 (Grant Revenue)
 - Overview of each grant, receipts of payment and track of status
 - It is below the \$750,000 threshold for the requirements

- Footnote #15 (Grant Receivables)
 - Breaks down any of receivables associated with the grants

Internal Controls Over Financial Reporting

- Each year the auditors do a review of the internal controls with a different procedure, and they test them
- A walk through of each process and are incorporate into the audit testing
- If the auditors see anything alarming, the committee would be alerted
- Auditors are not issuing an opinion

Investment Guidelines

- Nothing came to the auditors' attention that the Agency failed to comply
- Guidelines looked good

A discussion ensued with Board Members, staff and auditors with respect to the date on the representation letter and what was included in the letter.

Discussion of items the committee asked the auditors to look into at the December 3, 2021, Audit Committee Meeting:

- Grants
 - Obtained all the grant agreements, summarized the grants, analyze them and performed the reconciliation to see what grant money was received/expended and what they would do
 - Grants reimbursements are received years later after expense has been submitted for reimbursement
 - Policy for the grants right now is:
 - Agency records the items as a grant receivable if they were received 30 days after year end
 - If not, that receivable will not be recorded, and the revenue will not be recorded
 - Right now, the receivable is being allowed for
 - Auditors stated the way this has been kept track of, is fine
 - Auditors and Tim DeGraff will continue to monitor this
 - Grant expenditures for the current year are well under the single audit threshold so there are no concerns
 - Charlie Landi asked if the auditors utilize the NYSDEC's Grants Gateway. The auditors stated some of their clients use the gateway but noted that they stated it is not very user friendly.
 - Tim DeGraff agreed that the Grants Gateway is not user friendly
- Solar Farms
 - Reviewed all the solar farms agreements and summarized
 - NextAmp-gives 10% credits on the monthly energy bill
 - Agency did not pay into this
 - Agency has no ownership or responsibilities over the solar farm

- Believes it will be completed in a year or so
 - 3-year agreement
 - Ulster Landfill Solar Project-Ulster Landfill owned by the Agency
 - Solar farm has been on the landfill for many years
 - It is owned by Ulster County
 - Reviewed agreement with Ulster County and the Agency
 - Related expenses that the solar farm damages the landfill; Agency will not be responsible financially for remediation
 - Agency responsible for the normal post closure landfill type expenses
 - New Paltz Solar Farm Project-Landfill owned by the Town of New Paltz
 - Agency only responsible for post closure landfill expenses for the next 7 years
 - Nothing has been signed yet, lawyers are reviewing the agreement
- Pension Obligations
 - Reviewed projections and estimates given last year from the state
 - Compared that to the actual amount billed and the amount budgeted
 - Auditors discussed this with Tim DeGraff to gain an understanding of the projections that are available for the ERS and how the amount is budgeted
 - Emily stated there is a projected report that's available far in advance but historically, the projection has not been really close to the actual ERS amounts
 - There is another projection report that comes out in August for next year
 - There are 2 tiers, tier 4 and 6
 - Tim DeGraff calculates this estimate by:
 - He takes the actual rates for tier 4 and 6 from the prior year actual invoice
 - Applies that rate to the budgeted salaries and wages to come up with the total budget ERS for the next year
 - For 2022 budget, Tim took tier 4 rate from the prior year multiplied it by the budgeted salaries and again with tier 6 rate the prior year multiplied by the budgeted salaries which is a grand total of about \$279,000 and this is the budgeted pension expense
 - Auditors recommend Tim keep that method moving forward and it is the most accurate way to calculate the ERS amount
- Internal Audit Firms' Reports-Sickler, Torchia, Allen and Churchill, CPA's, PC were hired to review the composting operations and the Authorities Budget Office (ABO) compliance
 - Auditors agreed with the internal auditors' recommendations and report
 - They performed some subset of testing over the composting revenue and had no issues with the testing with recalculating the revenue in the bank deposits
- Fuel, Volume, & Metering Procedures
 - Performed testing over the price of the fuel being delivered to the Agency
 - Prices charged were verified by the supplier per their invoices and delivery documents
 - Documented their understanding of the controls in place regarding field deliveries and accounting as well as the fuel usage and accounting

- Verified the amount agreed upon in the Ulster County Contract and 3rd party source OPIS
- Found no material issues

OLD BUSINESS/NEW BUSINESS: NONE

ADJOURN

Charles Landi motioned to adjourn the March 29, 2022, Audit Committee Meeting at 2:55 pm. Seconded by Katherine Beinkafner. 3 in favor, 0 opposed, 0 absent.

Motion to approve the above transcribed Minutes of the March 29, 2022, Audit Committee Meeting was made by _____ and seconded by _____. ___ in favor, ___ opposed, ___ absent.

The minutes were approved by the Board.

Transcribed by: Melinda France, Office Manager

Meetings are recorded and available upon request.

Signatures:

Charles Landi, Chair

Melinda France, Office Manager