ULSTER COUNTY RESOURCE RECOVERY AGENCY
AUDIT COMMITTEE MEETING MINUTES
MARCH 26, 2026, AT 5:15PM
Meeting end time: 6:02PM

This meeting was held at the Main Office located at 999 Flatbush Road, Kingston, NY and live streamed on Youtube.com @UCRRA5008.

The Audit Committee Meeting (AC) was called to order by the Chair, Mike Baden at 5:20PM, due to technical difficulties with the presenter, Thomas Smith, CPA from EFPR. Mr. Smith was unable to appear via Teams Video Conference Call and therefore had to present over the phone.

ROLL CALL

Committee members present: Chair Mike Baden, Committee Member James Gordon and Committee Member Donna Egan.

Staff present: Executive Director Marc Rider, Director of Finance and Administration Timothy DeGraff, Agency Counsel and Secretary, Nancy Lam, Esq.

From the public: A presentation was provided virtually by Thomas (Tom) Smith, CPA from EFPR. No public was present.

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

A motion to accept the agenda was made by James Gordon and seconded by Donna Egan. 3 in favor, 0 opposed, 0 absent.

APPROVAL OF MINUTES

- Minutes of the Audit Committee Meeting held March 24, 2025

Donna Egan made a motion to adopt the Minutes of the Audit Committee Meeting held on March 24, 2025, and it was seconded by James Gordon. 3 in favor, 0 opposed, 0 absent.

ADMINISTRATIVE MATTERS

- Presentation of draft audit report provided by EFPR Group

Tom Smith, Partner of EFPR Group presented remotely on the independent external audit report. He began by apologizing about the technical difficulties. He then acknowledged Tim DeGraff and thanked him for getting all the information so expeditiously to EFPR Group. Tom reminded the Committee how much work goes into having the report prepared and ready by March 31, when financial statements for public authorities are due; the fact that they are on time is a testament to Tim DeGraff's hard work.

Tom Smith from EFPR stated and discussed the following:

(Opinion Page 14)
EFPR Group issued a clean (unmodified) audit opinion on the Agency's financial statement, the highest possible standard, confirming that:

- Financial statements are free from material misstatement.
- All figures are accurately supported.
- Reliant on the data given as no numbers needed to be adjusted.
- No obstacles were encountered during the audit.

A new **"Emphasis of Matter"** paragraph has been included due to the adoption of Governmental Accounting Standards Board Statements **GASB Statement No. 75**, requiring disclosure of **Other Post-Employment Benefits (OPEB)** liabilities—specifically long-term retiree health insurance.

Internal Controls and Compliance

- No material weaknesses or significant deficiencies in internal controls were identified.
- No violations of laws or regulations were found.
- An investment audit was completed (Page 81-84), with the authority receiving a clean opinion. While 40–50% of other public authorities had findings due to updated New York State guidance, this organization's investment policy is fully compliant with state law.

Financial Statement Highlights- Balance Sheet (Page 34)

Key changes from 2024 to 2025:

- Accrued interest decreased from $1.8 million to $0.
- Installment of long-term debt dropped from $1.3 million to $0 following a balloon payment payoff.
- Replaced with a new non-current liability: Total OPEB Liability at $2.2–$2.3 million.
  - This is a non-cash liability representing the actuarial present value of future retiree health benefits if the authority ceased operations immediately today.
  - It is not a current bill but a required accounting recognition under GASB 75.

Income Statement (Page 35)

- Solid waste service fees increased by $2.1 million, driven by rate hikes despite a slight decline in waste tonnage.
- Cost of sales and service expenses rose due to new vendor contracts.
- A one-time OPEB-related expense was recognized; recurring annual expenses will be significantly lower.
- Interest expense decreased substantially due to full repayment of bond debt.

Despite one-time adjustments, the financials reflect stability and predictability. The Agency is in a strong financial position as of December 31, 2025. Tom then opened the discussion to questions from the Committee about the financial statements or audit process or anything else about the audit report.

Discussion on OPEB Liability (Pages 34, 51, Letter G, footnotes 7E and 7G)

Clarification of the $2.3 Million OPEB Liability- A Committee Member expressed concern over the size of the OPEB liability, which exceeded earlier estimates. Tom Smith clarified:

- The $2.3 million is a present-value estimate based on actuarial assumptions (life expectancy, healthcare inflation, demographics).

- It assumes immediate shutdown and full settlement of future obligations.
- It does not represent cash outflow but ensures financial transparency.
- *Annual Cash Impact*
  - On page 51 (Footnote 7E), actual 2025 retiree health benefit payments totaled $10,149—the only real short-term cash expense.
  - Future annual payments will rise gradually with retiree claims but will not approach $2.3 million annually.
- *Spouse Coverage and Liability Growth*
  - The 2025 OPEB estimate is based on employee data as of that year.
  - Spouse coverage begins in 2026, which will increase the liability.
  - Projected liability in 2026: around $3 million- Tim DeGraff then added that the number shouldn't double, as many employees are single.
  - Actuarial models consider:
    - Marital status
    - Age
    - Life expectancy
    - Medicare eligibility at 65
- The model reflects maximum exposure under current conditions, not speculative scenarios.
- *Context and Sensitivity*
  - The $2.3 million includes 50+ years of projected healthcare inflation.
  - When annualized, it represents a manageable long-term obligation.
  - For comparison, some clients (e.g., large school districts) report OPEB liabilities in the billions with annual payments in the millions.
  - A one-percent change in actuarial assumptions (as shown in Footnote G) can significantly alter the liability, highlighting its sensitivity.

Another Committee Member had a general question of whether Tom had any concerns about the direction the Agency is going financially with regard to trends- positive or negative?

Discussion on Financial Trends and Sustainability (Pages 62–63)

Long-Term Revenue and Expense Trends

- Over the past decade:
  - **Expenses**: Increased from **$11 million (2016)** to **$24 million (2025)**.
  - **Revenues**: Grew from **$14 million to $21 million**.
- Expenses are growing faster than revenues, raising concerns about long-term sustainability.

Financial Health Metrics

- **Net position**: **$11 million** at year-end.
- **Net position as a percentage of expenses**: **~44%**, within the healthy benchmark of 30–40%.
- Auditor expressed no immediate concerns but emphasized the need to monitor the expense-revenue gap.

Tom did note he liked seeing the fees increasing; he also reminded the Committee that really the major concern is inflation, which is nothing the Agency can directly do about per se. It is unlikely anyone will ever come out of the pandemic effect at this time.

One Committee member had a question about EFPR Group's Methodology on how to prepare these reports.

Discussion on Audit Methodology and Findings

- **Risk-based approach**: Greater scrutiny applied to high-risk areas such as revenue and accounts receivable, which rely heavily on estimates.
- **Scope and sampling**:
  - All transactions above a threshold are tested.
  - Random sampling via software in high-risk areas to detect fraud or hidden patterns.
  - Unpredictable sampling deters manipulation.
- **Audit findings trends (industry)**: Client findings have tripled in five years, attributed to:
  - Shortage of qualified accounting professionals
  - Early retirements (especially in New York)
  - Inexperienced staff filling key roles like CFO

  *(these trends are industry trends, as the Agency had no audit findings).

One Committee Member asked if there is any category the Agency should stay on top of to maintain the healthy financial status?

Discussion on Cost of Sales and Services

His opinion is that there really isn't anything to stay on top of, however since the Agency derives most of its revenues in their fees and sales and services, it is worth keeping track of:

- Tipping fees (transportation and disposal)
- Equipment repairs
- Capital outlay
- Host community benefits
- Hauler fees and contractual obligations
- Leachate monitoring and closed landfill maintenance

Revenue Sustainability and Strategic Focus

- Tipping fees are the primary revenue source, crucial for financial stability.
- Other revenues (interest, grants) are declining or stagnant.
  - Interest revenue dropped by nearly half in one year and is expected to continue falling.
- No new state revenue streams are anticipated due to New York's tight fiscal conditions.
- **Recommendation**: Annual review and adjustment of tipping fees and service charges during budgeting is essential.
- **Budgeting challenge**: Tipping fee revenue is volatile due to unpredictable tonnage fluctuations.

Alternative Revenue Models

- A property tax-based user fee model was suggested to improve budget accuracy and predictability.
- Feasibility, political, and legal barriers to such a shift were acknowledged.

Forward-Looking Financial Reporting

- Current audits are traditionally backward-looking and do not incorporate the 2026 budget- although Tim DeGraff did point out that in this draft, he included budget outlooks (e.g., pages 31–32).
- In six months, a major update to financial reporting standards (similar to a revision of GASB 34) will require forward-looking disclosures, especially in the Management's Discussion and Analysis (MD&A).
  - Future reports must include budget projections and financial outlooks.
  -The auditor plans to work with clients early to ensure smooth implementation.

A Committee member asked a question about why Tom felt the Agency's investment policy was strong:

Discussion on Investment Policy

The investment policy was praised for its strength and compliance with New York State Public Authority Law §2925. Key features:

- Robust controls for safeguarding investments and collateralization against bank failures.
- Investments limited to low-risk instruments: CDs, U.S. Treasuries; equities and speculative investments prohibited.
- The policy required no changes when the 2006 law was enacted; Tim DeGraff also provided additional context that the previous agency counsel helped draft the original investment policy and also recommended no changes to the investment policy when the Public Authorities act was enacted in 2006.
- While not explicitly restricting out-of-state or foreign investments, state regulations inherently limit allowable investments to conservative, in-state, or federally backed options.

Final Audit Observations

- No adjustments were required to the financial statements, confirming strong internal controls and accurate reporting.
- This reinforces confidence in the reliability of monthly financial reports from Tim DeGraff.
- Absence of audit adjustments indicates effective financial management and reduced risk.

The board unanimously commended Tom for a thorough presentation and explanations, and also commended Tim DeGraff, Marc Rider and the rest of the financial administration staff for producing a clear, well-organized, and accessible financial report. The Committee members noted that the report significantly enhanced their understanding.

ADJOURN

Motion to adjourn the Audit Committee Meeting on March 26, 2026, at 6:02 PM, was made by James Gordon and seconded by Donna Egan. 3 in favor, 0 opposed, 0 absent.

DRAFT

October 22, 2026

Motion to approve the above transcribed Minutes of March 26, 2026, Audit Committee Meeting was made by _____ and seconded by _____. __ in favor, __ opposed, __ absent.

The minutes were approved by the Board.

Transcribed by: Nancy Lam, Esq., Secretary, Agency Counsel.

Signatures:

_____
Mike Baden, Chair

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