

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

FINANCIAL STATEMENTS

**as of December 31, 2023 and 2022
Together with Independent Auditor's Report**



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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Onondaga County Resource Recovery Agency
North Syracuse, New York

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Onondaga County Resource Recovery Agency (OCRRA) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OCRRA's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Onondaga County Resource Recovery Agency as of December 31, 2023 and 2022, and the respective changes in its financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCRRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

OCRRA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OCRRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 OCRRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OCRRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits plan – schedule of funding progress, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection

with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024 on our consideration of OCRRA'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 OCRRA's internal control over financial reporting and compliance.

Grossman St Amour CPAs

Syracuse, New York
March 13, 2024

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF FINANCIAL POSITION

One of the most important questions asked about the OCRRA's finances is "*Is OCRRA, as a whole, better off or worse off as a result of the year's activities?*" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about OCRRA's activities in a way that will help answer this question. These two statements report the net position of OCRRA and changes in them. You can think of OCRRA's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in OCRRA's net position are one indicator of whether its financial health is improving or deteriorating. Additionally, OCRRA places an emphasis on strategically building and using cash reserves to provide price stability for its member municipalities. You will need to also consider other non-financial factors such as changes in economic conditions, population growth, consumer behavior and new or changed legislation or regulation.

Another important question is whether "*What direction OCRRA, as a whole, trended in 2023?*" OCRRA's total net position increased by \$608,427 operating revenues decreased from the previous year by about 11.5% while operating expenses increased about 8.3%. OCRRA's total net position was \$35,841,567 and \$35,233,140 on December 31, 2023 and 2022, respectively.

Table 1

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 35,854,185	\$ 36,691,529	\$ 28,302,516
Assets limited as to use – long term	250,574	1,178,696	1,313,211
Property, plant and equipment - net	20,655,523	19,104,742	19,946,188
Net Pension Asset	-	875,164	-
Facility lease - net of current portion	<u>37,080,839</u>	<u>39,832,438</u>	<u>42,465,703</u>
Total assets	93,841,121	97,682,569	92,027,618
Deferred outflows of resources	1,846,118	1,963,027	2,694,589
Current liabilities	8,140,460	8,478,995	7,793,257
Long-term liabilities	<u>50,750,272</u>	<u>51,986,471</u>	<u>55,696,455</u>
Total liabilities	58,890,732	60,465,466	63,489,712
Deferred inflows of resources	954,940	3,946,990	4,233,726
Net position - Net investment in			
Capital assets	10,181,248	8,232,071	8,516,721
Restricted	6,107,499	6,317,149	6,298,400
Unrestricted	<u>19,552,820</u>	<u>20,683,920</u>	<u>12,183,648</u>
Total net position	<u>\$ 35,841,567</u>	<u>\$ 35,233,140</u>	<u>\$ 26,998,769</u>

Changes in OCRRA's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the years 2023, 2022 and 2021.

ANALYSIS OF FINANCIAL POSITION (Continued)

Table 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 40,844,640	\$ 46,150,606	\$ 43,041,629
Other revenues	<u>2,617,288</u>	<u>1,967,803</u>	<u>1,854,112</u>
Total revenues	43,461,928	48,118,409	44,895,741
Operating expenses	40,943,594	37,815,621	35,262,134
Other expenses	<u>1,909,907</u>	<u>2,068,417</u>	<u>2,220,202</u>
Total expenses	42,853,501	39,884,038	37,482,336
Change in net position	608,427	8,234,371	7,413,405
Net position - beginning of year	<u>35,233,140</u>	<u>26,998,769</u>	<u>19,585,364</u>
Net position end of year	<u>\$ 35,841,567</u>	<u>\$ 35,233,140</u>	<u>\$ 26,998,769</u>

The increase in OCRRA's net position in 2023 was primarily due to rising interest rates which allowed a substantial return on the Agency's cash.

OCRRA'S FUNDS

OCRRA does not utilize Funds or Fund Accounting. OCRRA maintains funds on deposit with a Trustee as required by contractual obligations entered into as part of OCRRA's 2015 debt restructuring as detailed in the financial statements. As of December 31, 2023, OCRRA funds held by the trustee of \$6,107,499 are recorded as Restricted under the OCRRA's Net Position. These restricted assets are due to the Indenture of Trust agreement between OCRRA and U.S. Bank National Association (the Trustee) that requires OCRRA operating revenues to be maintained on deposit with the Trustee until any necessary payments are made on the 2015 and 2019 Bonds and to the operator of the Waste-to-Energy Facility.

Budgetary Highlights

OCRRA's 2023 tipping revenues exceeded budgetary expectations by about 2%. Compost revenues, although a much small dollar value, exceeded budget by 51% as an outlet for excess material was secured early in 2023 and new food waste deliveries were secured. The consolidation of landfill airspace in New York State, along with continued inflationary pressures on repair costs continue to drive up OCRRA's disposal and equipment costs. OCRRA's 2024 adopted budget was based primarily on the 2022 results and anticipated similar pricing in commodity markets and incoming tonnages. OCRRA's primary rates for solid waste, construction debris, and recycling were increased for 2024 to maintain a balanced operating budget.

Property, Plant and Equipment

At the end of 2023, OCRRA had approximately \$20.7 million in book value related to capital assets. Capital Assets consists primarily of two transfer stations, a composting facility, and various pieces of operating equipment. During 2023 Property, Plant & Equipment, net increased by approximately \$1.5 million which reflects additions of approximately \$2.8 million offset by depreciation of approximately \$1.3 million. The Agency successfully closed on a land parcel valued at approximately \$400,000.

Bonds

During 2023, OCRRA reduced outstanding 2015 bonds by \$2,330,000, and its 2019 bonds by \$580,000. The 2015 and 2019 Bonds mature in 2035 and 2034, respectively.

OCRRA'S FUNDS (Continued)

Financed Purchases

As of December 31, 2023, OCRRA had approximately \$373,660 in financed purchases outstanding. OCRRA utilizes this program to strategically spread the cash impact of capital purchases over multiple years. In the current interest rate environment, it has been more cost effective for OCRRA to purchase replacement equipment from its cash reserves.

Facility Lease Agreement – through May 2035

On November 12, 2014, OCRRA reached an agreement (extension) with Covanta Onondaga, L.P. to continue the facility lease of the Onondaga County Resource Recovery Facility for 20 years, commencing on May 8, 2015 and continuing until May 8, 2035, with a mutual option of an additional 5-year extension.

In 2015, OCRRA obtained extension financing for the refunding of the 2003 Series B bonds, and for the establishment of the Capital Refurbishment Fund. See Note 8 for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2024 Budget develops the revenue and expense requirements to continue OCRRA's efforts to provide sound environmental solid waste disposal solutions to our community.

OCRRA operates in a highly complex contractual business setting with rigid regulatory oversight. Its waste disposal infrastructure was very expensive to site and construct, leading to high fixed costs of operation. Budgets are designed around historic waste levels, and recent commodity prices. Revenue streams from commodity markets, specifically electricity, metal, fiber, and plastic have become highly variable over the last decade. These economic conditions required OCRRA to increase its primary tipping fees in 2024, after successfully holding them constant for 2021, 2022, and 2023. From time to time, OCRRA will strategically build up or use reserves to maintain the high quality of its services while minimizing the impact of fee changes on the community. Should conditions improve, or get worse, OCRRA will consider case by case program reviews to provide high levels of environmental performance with watchful stewardship of public service fees and reserves.

During 2023, OCRRA utilized approximately \$700,000 in cash reserves. OCRRA's reserve balance, of approximately \$22 million will be deployed when necessary to provide continued stability to the community's solid waste and recycling programs and invest in aging infrastructure when necessary. OCRRA's 2024 Budget was adopted on a breakeven basis. The 2024 Budget is fiscally conservative, reflects current market conditions, raised rates at the minimum level possible for responsible fiscal management. OCRRA's strict expenditure controls at a management and Board level are expected to continue to maintain and improve OCRRA's financial condition over time.

EMPLOYEE RETIREMENT

This financial report is substantially prepared by OCRRA's Accountant, Vincent Latorre, who has recently announced his retirement. Mr. Latorre is a licensed CPA who has dutifully served OCRRA, Onondaga County residents, and users of this report since 1995. The Agency thanks Mr. Latorre for his many years of timely and accurate financial reporting and wishes him many years of happy retirement.

CONTACT REGARDING THE AGENCY'S FINANCES

This financial report is designed to provide County residents, customers and creditors with a general overview of OCRRA's finances. If you have questions about this report or need additional financial information, contact OCRRA's Public Information Officer at 100 Elwood Davis Road, North Syracuse, NY 13212-4312.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,889,040	\$ 22,603,065
Accounts receivable (net of an allowance for bad debts of \$50,000 in 2023 and \$50,000 in 2022)	3,384,458	2,475,115
Electric revenue receivable	453,302	1,272,351
Metal revenue receivables	20,896	50,913
Prepaid expenses	1,553,990	1,642,937
Facility lease agreement, current portion	2,445,000	2,330,000
Assets limited to use, current portion	6,107,499	6,317,148
Total current assets	<u>35,854,185</u>	<u>36,691,529</u>
NON-CURRENT ASSETS:		
Assets limited as to use:		
Funds held by trustee under indenture	250,574	1,178,696
Property, plant and equipment, net	20,655,523	19,104,742
Net pension asset	-	875,164
Facility lease agreement, net of current portion	37,080,839	39,832,438
Total noncurrent assets	<u>57,986,936</u>	<u>60,991,040</u>
Total assets	<u>93,841,121</u>	<u>97,682,569</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension related	<u>1,846,118</u>	<u>1,963,027</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	4,164,476	4,374,264
Bonds payable - 2015 Series A, current portion (NOTE 8)	2,445,000	2,330,000
Bonds payable - 2019, current portion (NOTE 9)	605,000	580,000
Financed purchases liability, current portion	146,331	398,396
Accrued interest	364,232	391,149
Accrued expenses and other current liabilities	415,421	405,186
Total current liabilities	<u>8,140,460</u>	<u>8,478,995</u>
NON-CURRENT LIABILITIES:		
Bonds payable - 2015 Series A (NOTE 8)	36,105,000	38,550,000
Bonds payable - 2019 (NOTE 9)	8,070,000	8,675,000
2015 Bond Premium	2,605,839	2,835,771
2019 Bond Premium	1,037,591	1,138,003
2015 Capital Fund	250,573	250,573
Financed purchases liability	227,329	373,660
Net Pension liability	2,280,946	-
Other postemployment benefits (NOTE 11)	172,994	163,464
Total non-current liabilities	<u>50,750,272</u>	<u>51,986,471</u>
Total liabilities	<u>58,890,732</u>	<u>60,465,466</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension related	156,836	3,078,458
Unearned revenue - bond related	798,104	868,532
Total deferred inflows of resources	<u>954,940</u>	<u>3,946,990</u>
NET POSITION		
Net investment in capital assets	10,181,248	8,232,071
Restricted	6,107,499	6,317,149
Unrestricted	19,552,820	20,683,920
Total net position	<u>\$ 35,841,567</u>	<u>\$ 35,233,140</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
Tipping fees	\$ 32,966,351	\$ 32,741,121
Electric revenue	5,075,840	9,878,778
Recovered material revenue	1,503,764	1,896,784
Grant revenue	99,496	379,452
Compost revenue	692,518	622,231
Other	<u>506,671</u>	<u>632,240</u>
Total operating revenues	<u>40,844,640</u>	<u>46,150,606</u>
OPERATING EXPENSES:		
Personal services	6,627,713	5,313,145
Contractual services -		
Landfill contracts	2,889,896	2,572,338
Other contractual services	78,208	104,620
Materials and supplies	656,895	834,722
Professional fees	772,036	409,783
Recycling	1,631,025	1,025,950
Compost	447,487	425,467
Hazardous waste disposal	163,515	99,347
Repairs and maintenance	1,140,198	1,010,641
Utilities	146,449	150,767
Insurance	526,400	506,522
Operating leases	134,862	125,944
Depreciation	1,310,395	1,535,757
Taxes and other payments to Host Communities	201,781	200,369
Other	620,552	485,715
Waste-to-Energy operations cost	<u>23,596,182</u>	<u>23,014,534</u>
Total operating expenses	<u>40,943,594</u>	<u>37,815,621</u>
OPERATING INCOME	<u>(98,954)</u>	<u>8,334,985</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	108,643	19,670
Interest income - non-system	719,661	123,422
Amortization on 2015 deferred inflow	70,428	70,428
Interest income - facility lease agreement	1,550,001	1,664,668
2015 Bond Interest expense	(1,550,001)	(1,664,668)
2019 Bond Interest expense	(343,005)	(371,505)
Interest expense finance leases	(16,901)	(32,244)
Gain on sale of machinery and equipment	<u>168,555</u>	<u>89,615</u>
Non-operating revenue (expenses), net	<u>707,381</u>	<u>(100,614)</u>
CHANGE IN NET POSITION	608,427	8,234,371
NET POSITION - beginning of year	<u>35,233,140</u>	<u>26,998,769</u>
NET POSITION - end of year	<u>\$ 35,841,567</u>	<u>\$ 35,233,140</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	\$ 32,057,008	\$ 33,703,594
Receipts from electric revenue	5,894,889	9,058,036
Other operating receipts	2,832,465	3,523,552
Payments to vendors and suppliers	(8,980,630)	(6,772,076)
Payments to employees	(5,221,228)	(3,966,656)
Payments for Waste-to-Energy (WTE) operations	(19,409,582)	(18,826,601)
Payments for insurance and employee benefits	<u>(1,584,838)</u>	<u>(2,271,919)</u>
Net cash flow provided by operating activities	<u>5,588,084</u>	<u>14,447,930</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(2,910,000)	(2,770,000)
Payments on finance\ lease obligations	(398,396)	(556,796)
Proceeds from the sale of machinery and equipment	168,555	89,615
Purchase of property, plant and equipment	(2,861,176)	(694,311)
Payments for interest on bonds outstanding	<u>(2,267,168)</u>	<u>(2,425,472)</u>
Net cash flow used in capital and related financing activities	<u>(8,268,185)</u>	<u>(6,356,964)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in funds held by trustee	1,137,772	115,767
Proceeds from interest on invested funds	<u>828,304</u>	<u>143,092</u>
Net cash flow provided by investing activities	<u>1,966,076</u>	<u>258,859</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(714,025)	8,349,825
CASH AND CASH EQUIVALENTS - beginning of year	<u>22,603,065</u>	<u>14,253,240</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 21,889,040</u>	<u>\$ 22,603,065</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ (98,954)	\$ 8,334,985
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation	1,310,395	1,535,757
WTE operations used to reduce lease costs	4,186,600	4,187,934
Other postemployment benefits expense	9,529	(60,299)
Bond insurance amortization	38,994	38,994
Change in pension costs	328,282	(334,928)
Changes in:		
Accounts receivable	(909,343)	962,473
Electric revenue receivable and other receivables	849,066	(827,896)
Prepaid expenses	73,068	(119,937)
Accounts payable, accrued expenses and other current liabilities	<u>(199,553)</u>	<u>730,847</u>
Net cash flow provided by operating activities	<u>\$ 5,588,084</u>	<u>\$ 14,447,930</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. ORGANIZATION

Onondaga County Resource Recovery Agency (OCRRA) was statutorily created in 1981 as a public benefit corporation under New York State law. OCRRA began active operations in 1990. OCRRA is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Under an agreement between OCRRA and the County of Onondaga (County), OCRRA is responsible for implementing the County Solid Waste Management Program, as well as the construction, operation and otherwise ensuring the availability of solid waste management and recycling facilities for participating municipalities in the County of Onondaga, State of New York. Under current contracts, OCRRA's operations service the thirty-three participating municipalities in Onondaga County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

OCRRA operates as a proprietary fund. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported.

OCRRA utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

The accounting policies of OCRRA conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 these estimates.

Other Postemployment Benefits

OCRRA provides health insurance benefits to certain retired employees and their spouses and beneficiaries. OCRRA accrues the costs for these benefits based on an annual valuation of future expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, money market accounts, and from time to time treasury bills with maturity dates of twelve months or less.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. They are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

Property, Plant and Equipment

Property, plant and equipment over \$5,000 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 4 to 40 years. Depreciation expense amounted to \$1,310,395 and \$1,535,757 for the years ended December 31, 2023 and 2022, respectively.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as expense until then.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents a receipt of net position that applies to a future period and so will not be recognized as revenue until then.

Assets Limited as to Use

Assets limited as to use represent funds restricted as to use under OCRRA's Revenue Bond and Facility Lease Agreements.

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. See page 14 for detail of the \$6,107,499 restricted net position at December 31, 2023.
- c. Unrestricted net position - net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is OCRRA's policy to use restricted resources first, then unrestricted resources as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Classification

Tipping fees, commodity revenues, fees related to our principal operations and grants are considered operating revenues, as they derive from the OCRRA's principal purpose. Interest income and other miscellaneous sources are considered nonoperating.

Landfill and Related Costs

OCRRA has secured the required permit for the construction of an in-county landfill to be located in the Town of Van Buren (the "Landfill"). Currently, OCRRA transports the ash from the Waste-to-Energy Facility and other non-recyclable waste that cannot be processed at the facility to the High Acres Landfill, near Fairport, New York, the Seneca Meadows Landfill near Waterloo, New York and the Madison County Landfill near Nelson, New York generally under long-term contracts. Construction of the in-county landfill will occur when environmental and economic factors dictate that it is in the best interest of Onondaga County businesses and residents. The cost of the designated site is included in property, plant and equipment (see Note 6). Engineering and consulting fees related to siting, environmental studies and permitting of the Landfill are capitalized. According to Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, should OCRRA decide to transport waste to the Landfill, OCRRA is required to accrue a portion of the estimated total of closure and postclosure care in each period that waste is accepted at the site. Recognition of such a liability shall begin on the date the Landfill begins accepting waste. As of December 31, 2023 there has been no waste delivered to the Landfill, and no waste is expected to be delivered during 2024.

Environmental and Regulatory Risk

OCRRA operates in an environmentally sensitive industry and is subject to extensive federal and state laws and regulations adopted for the protection of the environment. The laws and regulations are primarily applicable to discharge of emissions into the air and management of solid waste but can also include those related to water use, discharges to water and hazardous waste management. Certain aspects of these laws have extensive and complicated requirements relating to obtaining operating permits, monitoring, record keeping and reporting. Management believes that its facilities are in material compliance with permits and other applicable environmental laws.

3. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, OCRRA's deposits may not be returned to it.

Statutes authorize OCRRA 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.

Unrestricted and restricted cash equivalents are covered or collateralized by either federal depository insurance, securities held by the pledging bank's trust department in OCRRA's name, or are U.S. Government and/or federal agency securities held by the Trustee.

At December 31, 2023, the carrying value of OCRRA's cash deposits were approximately \$27,997,000, and the bank balances were approximately \$29,113,000. OCRRA's deposit policies require OCRRA's cash to either be covered by depository insurance or collateralized by governmental securities held by the depository institution. At December 31, 2023, OCRRA had collateralized cash balances of approximately \$6,470,000, deposits at the Trustee of \$6,108,000, Treasury Bill investments of \$9,754,000, and the remainder was covered by depository insurance.

4. OPERATING CONSIDERATIONS

The Onondaga County Solid Waste Management System (System) has implemented a multi-layer “flow control” arrangement to ensure that all legal means of requiring delivery of waste into the System are utilized. First, OCRRA has “delivery agreements” with all 33 participating municipalities in Onondaga County. Those “delivery agreements” commit each municipality to “deliver or cause the delivery” of municipal solid waste (MSW) from their community to the System. Most of the residential MSW is delivered to the System pursuant to municipal pick-up, municipally contracted pick-up, and solid waste districts, implemented in accordance with the “delivery agreements.” In addition, in 2000 - 2001, all 33 municipalities enacted approved, in-state waste site designation laws committing delivery of all of their MSW to the System if the MSW is to be disposed of within the State. Also, in 2003, the Onondaga County Legislature enacted a local “flow control” law, based closely on the language and criteria found in the Oneida-Herkimer Law that directs all municipal solid waste in the 33 participating municipalities to OCRRA’s public Waste-To-Energy Facility. This type of arrangement was reviewed and deemed Constitutional by the U.S. Supreme Court in its April 2007 Oneida-Herkimer case. The 33 member municipalities have entered into delivery agreements with automatic renewals through 2035. Finally, OCRRA, as additional security, enters into hauler contracts directly with the area’s private and municipal waste haulers, wherein they have contractually committed to deliver all MSW picked up in the 33 participating municipalities to the System. The contracts provide stiff stipulated contractual damage penalties for violation of that contract provision.

5. ASSETS LIMITED AS TO USE

Assets limited as to use are held by a trustee in accordance with the terms of the Revenue Bonds Master Bond Resolution (see Note 8) and certain trustee funds represent restricted net position reported on the Statement of Financial Position. The restricted net position includes the following funds at December 31:

	<u>2023</u>	<u>2022</u>
Funds accumulated from System revenues to pay for 2015 debt service obligations	\$ 1,934,568	\$ 1,877,318
Funds accumulated from System revenues to pay for 2019 debt service obligations	502,147	472,360
Accumulation of earnings from System revenues to satisfy general OCRRA obligations	<u>3,670,784</u>	<u>3,967,470</u>
Total	<u>\$ 6,107,499</u>	<u>\$ 6,317,148</u>

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ 406,218	\$ -	\$ 802,408
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	590,484	-	150,000	440,484
Buildings and improvements	10,457,742	1,221,733	-	11,679,475
Machinery and vehicles	12,212,563	1,145,225	1,067,797	12,289,991
Furniture and fixtures	147,371	-	-	147,371
Computer equipment	101,257	-	-	101,257
Leasehold improvements	3,375,062	80,076	-	3,455,138
Land improvements	3,247,367	-	-	3,247,367
Construction in progress	<u>76,610</u>	<u>1,664,594</u>	<u>1,656,670</u>	<u>84,534</u>
Total property, plant and equipment	34,654,696	4,517,846	2,874,467	36,298,075
Less: Accumulated depreciation				
Landfill buildings and improvements	(568,733)	(2,689)	(150,000)	(421,422)
Buildings and improvements	(3,010,952)	(315,016)	-	(3,325,968)
Machinery and vehicles	(9,964,275)	(835,118)	(1,067,796)	(9,731,597)
Furniture and fixtures	(124,635)	(4,134)	-	(128,769)
Computer equipment	(91,992)	(2,647)	-	(94,639)
Leasehold improvements	(1,759,576)	(148,375)	-	(1,907,951)
Land improvements	<u>(29,791)</u>	<u>(2,415)</u>	<u>-</u>	<u>(32,206)</u>
Total accumulated depreciation	<u>(15,549,954)</u>	<u>(1,310,394)</u>	<u>(1,217,796)</u>	<u>(15,642,552)</u>
Property, plant and equipment, net	<u>\$ 19,104,742</u>	<u>\$ 3,207,452</u>	<u>\$ (1,656,671)</u>	<u>\$ 20,655,523</u>

Property, plant and equipment activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	590,484	-	-	590,484
Buildings and improvements	10,317,435	140,307	-	10,457,742
Machinery and vehicles	12,422,111	477,392	686,940	12,212,563
Furniture and fixtures	152,945	-	5,574	147,371
Computer equipment	101,257	-	-	101,257
Leasehold improvements	3,375,062	-	-	3,375,062
Land improvements	3,247,367	-	-	3,247,367
Construction in progress	<u>-</u>	<u>189,017</u>	<u>112,407</u>	<u>76,610</u>
Total property, plant and equipment	34,652,901	806,716	804,921	34,654,696
Less: Accumulated depreciation				
Landfill buildings and improvements	(565,930)	(2,803)	-	(568,733)
Buildings and improvements	(2,737,695)	(273,257)	-	(3,010,952)
Machinery and vehicles	(9,579,413)	(1,072,959)	(688,097)	(9,964,275)
Furniture and fixtures	(126,075)	(4,134)	(5,574)	(124,635)
Computer equipment	(89,345)	(2,647)	-	(91,992)
Leasehold improvements	(1,580,882)	(178,694)	-	(1,759,576)
Land improvements	<u>(27,373)</u>	<u>(2,418)</u>	<u>-</u>	<u>(29,791)</u>
Total accumulated depreciation	<u>(14,706,713)</u>	<u>(1,536,912)</u>	<u>(693,671)</u>	<u>(15,549,954)</u>
Property, plant and equipment, net	<u>\$ 19,946,188</u>	<u>\$ (730,196)</u>	<u>\$ (111,250)</u>	<u>\$ 19,104,742</u>

7. FACILITY LEASE AND SERVICE AGREEMENT

In 1992, OCRRA issued Project Revenue Bonds for the purpose of constructing a Waste-to-Energy Facility (the "Facility") and funding certain reserves and other related costs. Pursuant to various agreements, Covanta Onondaga, L.P. (the "Partnership") also funded certain project costs and constructed the Facility. OCRRA leased the Facility and equipment to the Partnership under a long-term lease expiring May 8, 2015 with the Partnership having the option to purchase the Facility for \$1. This lease and service agreement was extended as described in the "Renewal of Facility Lease and Service Agreement" section below.

Pursuant to the facility lease agreement the real property comprising a portion of the Facility is leased to the Partnership.

Pursuant to the service agreement the Partnership operates and maintains the Facility for the processing of solid waste delivered by OCRRA to the Facility.

All revenues of the Facility, which include rates, fees, charges and other realized income received by OCRRA from the ownership, operation, use or services of the Facility, in excess of expenses, are to be paid directly to the Trustee for the benefit of the Partnership and Trustee. After satisfaction of those obligations, remaining revenues revert to OCRRA for its use.

OCRRA's obligation is unconditional and requires payment by OCRRA if there is no waste delivered; OCRRA remains responsible for debt service, which is also paid through the Trustee.

The obligations of the Partnership under the service agreement and facility lease are guaranteed to OCRRA and the Trustee by Covanta Energy Corporation.

Renewal of Facility Lease and Service Agreement

In November 2014, OCRRA entered into a twenty (20) year extension of the Second Amended and Restated Service Agreement with the Partnership until May 8, 2035. The extension includes a mutual option to extend the term of the Service Agreement for an additional five (5) years until May 8, 2040. Under this Service Agreement extension, OCRRA was required to refinance the 2003 Series B bonds for a term that is coterminous with the base term of the Service Agreement extension (See Note 8). This is in addition to the service fee and other facility related OCRRA cost obligations, i.e. operations and maintenance charge, pass through costs, ash disposal costs and debt service on any Capital Refurbishment bonds.

OCRRA committed to a minimum annual waste delivery obligation of 320,000 in 2015 and 345,000 tons for full years thereafter, with OCRRA paying shortfall damages equal to the Partnership's lost electric and metal revenue for each shortfall ton. The maximum annual waste capacity is the Facility's permitted capacity less some limited tonnage available to the Partnership for Supplemental Waste. Net electric revenue is shared 90% OCRRA/10% Partnership and metal revenue is shared 50%/50% with a ceiling amount. OCRRA remains responsible for ash transport and disposal with some limited exceptions.

OCRRA will have legal ownership of the Facility during the term but at the end of the term, the Partnership will own it with an option for OCRRA to purchase it at that point for Fair Market Value. The Partnership will retain tax ownership of the Facility during the term. OCRRA would account for this agreement as a sale in accordance with GASB 87.

OCRRA established a Capital Refurbishment Fund to assist in funding OCRRA's share of needed Capital Refurbishment Projects, which is included with assets limited to use on the Statement of Net Position.

7. FACILITY LEASE AND SERVICE AGREEMENT (Continued)

Renewal of Facility Lease and Service Agreement (Continued)

As described in Note 8, OCRRA issued 2015A and 2015B series debt in accordance with the terms of the facility lease renewal. This resulted in the recognition of new facility lease assets, which will be recognized throughout the term of the contract extension and in an amount approximating the underlying debt service requirements of the 2015A and 2015B series debt. OCRRA may refinance, issue or call any debt issued under the contract extension at OCRRA's sole discretion as long as such action does not violate the extension agreement terms. OCRRA may call any new bonds issued under the terms of any bond indenture provided OCRRA provides adequate advance notice to the Partnership at least prior to October 1st of the preceding year. The debt service for the refinanced 2003 Series B bonds and Capital Refurbishment bonds, as applicable, will be added to the Service Fee, and payment will be made in a similar fashion as under the previous service agreement. The Partnership will provide an initial \$21,000,000 parent guarantee declining on an annual basis by \$500,000 per year until it reaches \$16,000,000.

The Waste-to-Energy operations cost is composed of the following:

	<u>2023</u>	<u>2022</u>
Operating and pass through costs	\$ 19,409,582	\$ 18,826,601
Capital charge (2015 Bond Debt Service)	<u>4,186,600</u>	<u>4,187,933</u>
Total	<u>\$ 23,596,182</u>	<u>\$ 23,014,534</u>

Future minimum annual payments from the Partnership are as follows at December 31:

<u>Year</u>	<u>Amount</u>
2024	\$ 2,445,000
2025	2,570,000
2026	2,695,000
2027	2,830,000
2028	2,975,000
2029 – 2033	17,140,000
2034 – 2035	<u>7,895,000</u>
Total future minimum payments	38,550,000
Less: Income recognized prior to May principal payment	<u>(1,630,000)</u>
Net Investment in Lease Agreement	36,920,000
Less: Current portion	<u>(2,445,000)</u>
Long-term portion	<u>\$ 34,475,000</u>

8. 2015 SERIES A AND 2015 SERIES B BONDS PAYABLE

In 2015, OCRRA issued \$54,560,000 in Revenue Bonds, consisting of Series 2015A Tax-Exempt Bonds totaling \$53,505,000 and Series 2015B Taxable Bonds totaling \$1,055,000. The 2015A bonds bear interest at an escalating rate from 3% to 5%. The 2015A bonds have a tiered maturity schedule with annual principal maturations through May 1, 2030, and an \$18,640,000 final maturity on May 1, 2035. The 2015B bonds bore interest at 1.75%, and matured May 1, 2016.

The 2015A bonds maturing on May 1, 2035 are subject to mandatory sinking fund requirements on May 1, 2031 and on each May 1 thereafter as follows:

<u>May 1:</u>	<u>Amount</u>
2031	\$ 3,445,000
2032	3,580,000
2033	3,720,000
2034	3,870,000
2035	4,025,000

As part of the debt issuance, \$42,695,385 in outstanding 2003B bonds were refunded and retired.

Activity relative to the 2015A and 2015B bonds payable for the year ended December 31, 2023 was as follows:

	Balance at December 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2023</u>	Due in <u>one year</u>
2015A	\$ 40,880,000	\$ -	\$ (2,330,000)	\$ 38,550,000	\$ 2,445,000
2015B	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 40,880,000</u>	<u>\$ -</u>	<u>\$ (2,330,000)</u>	<u>\$ 38,550,000</u>	<u>2,445,000</u>
Bond Premium	<u>2,835,771</u>	<u>-</u>	<u>(229,932)</u>	<u>2,605,839</u>	<u>229,932</u>
Total	<u>\$ 43,715,771</u>	<u>\$ -</u>	<u>\$ (2,559,932)</u>	<u>\$ 41,155,839</u>	<u>\$ 2,674,932</u>

Activity relative to the 2015A and 2015B bonds payable for the year ended December 31, 2022 was as follows:

	Balance at December 31, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2022</u>	Due in <u>one year</u>
2015A	\$ 43,100,000	\$ -	\$ (2,220,000)	\$ 40,880,000	\$ 2,330,000
2015B	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 43,100,000</u>	<u>\$ -</u>	<u>\$ (2,220,000)</u>	<u>\$ 40,880,000</u>	<u>2,330,000</u>
Bond Premium	<u>3,065,703</u>	<u>-</u>	<u>(229,932)</u>	<u>2,835,771</u>	<u>229,932</u>
Total	<u>\$ 46,165,703</u>	<u>\$ -</u>	<u>\$ (2,449,932)</u>	<u>\$ 43,715,771</u>	<u>\$ 2,559,932</u>

8. 2015 SERIES A AND SERIES B BONDS PAYABLE (Continued)

General covenants require OCRRA to impose charges sufficient to pay debt service, enforce certain contractual obligations that assure continued flow of Onondaga County waste into the System, prepare annual budgets and maintain proper books and records, and to furnish appropriate financial information to the Trustee on an annual basis. These bonds are available on the secondary market but are lightly traded. Specific covenants include the setting of tipping fees and user charges that when taken together with other System Revenues, produces revenues available for debt service in each fiscal year equal to or exceeding 110% of all debt service on the bonds outstanding during the period, and the maintaining of \$3,000,000 in unencumbered cash reserves as of June 30 and December 31 of each fiscal year.

Interest paid as of December 31, 2023 and 2022, amounted to \$1,550,001 and \$1,664,668 respectively.

The following is a schedule of the future minimum payments under the bond agreement, including mandatory sinking fund requirements as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,445,000	\$ 1,679,975	\$ 4,124,975
2025	2,570,000	1,554,600	4,124,600
2026	2,695,000	1,422,975	4,117,975
2027	2,830,000	1,284,850	4,114,850
2028	2,975,000	1,139,725	4,114,725
2029 – 2033	17,140,000	3,417,925	20,557,925
2034 – 2035	7,895,000	318,900	8,213,900
Total	<u>\$ 38,550,000</u>	<u>\$ 10,818,950</u>	<u>\$ 49,368,950</u>

9. 2019 BONDS PAYABLE

In 2019, OCRRA issued \$10,835,000 in Revenue Bonds, as subordinate lien bonds under the 2015 Master Indenture. The 2019 bonds bear interest at an escalating rate from 3% to 5%. The 2019 bonds have a tiered maturity schedule with annual principal maturations through May 1, 2034. Interest paid in 2023 amounted to \$343,005. These bonds are subject to the covenants contained in the 2015 Master Indenture. Activity relative to the Series 2019 bonds payable for the year ended December 31, 2023 and 2022 was as follows:

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2023</u>	<u>Due in one year</u>
Series 2019	<u>\$ 9,255,000</u>	<u>\$ -</u>	<u>(580,000)</u>	<u>\$ 8,675,000</u>	<u>\$ 605,000</u>
Bond Premium	<u>\$ 1,138,003</u>	<u>\$ -</u>	<u>(100,412)</u>	<u>\$ 1,037,591</u>	<u>\$ 100,412</u>

	<u>Balance at December 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2022</u>	<u>Due in one year</u>
Series 2019	<u>\$ 9,805,000</u>	<u>\$ -</u>	<u>(550,000)</u>	<u>\$ 9,255,000</u>	<u>\$ 580,000</u>
Bond Premium	<u>\$ 1,238,415</u>	<u>\$ -</u>	<u>(100,412)</u>	<u>\$ 1,138,003</u>	<u>\$ 100,412</u>

9. 2019 BONDS PAYABLE (Continued)

The following is a schedule of the future minimum payments under the Series 2019 supplemental bond agreement as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 605,000	\$ 418,625	\$ 1,023,625
2025	640,000	387,500	1,027,500
2026	670,000	354,750	1,024,750
2027	705,000	320,375	1,025,375
2028	740,000	284,250	1,024,250
2029 – 2033	4,315,000	1,094,875	5,409,875
2034	1,000,000	25,000	1,025,000
Total	<u>\$ 8,675,000</u>	<u>\$ 2,885,375</u>	<u>\$ 11,560,375</u>

10. RETIREMENT PLANS

New York State Employees' Retirement System (NYSERS)

OCRRA participates in the New York State Employees' Retirement System (NYSERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing, multiple employer public employee retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System, System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. OCRRA also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to the benefits provided, may be found on the following website shown: www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 495,650
2022	403,190
2021	546,902

10. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

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

At December 31, 2023 and 2022, OCRRA reported a net pension liability of \$2,280,946 and a net pension asset of \$875,164, respectively, for its proportionate share of the NYS ERS net pension liability. The net pension asset/liability was measured as of March 31, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of those dates. OCRRA's proportion of the net pension liability was based on a projection of OCRRA's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2023 and 2022, OCRRA's proportion was .0106367% and .0107059%, respectively. For the years ended December 31, 2023 and 2022, OCRRA recognized pension adjustments of \$227,485 and \$(471,653), respectively.

At December 31, 2023, OCRRA reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 242,939	\$ 64,058
Changes of Assumptions	1,107,774	12,243
Net difference between projected and actual earnings on pension plan investments	-	13,400
Changes in proportion and differences between OCRRA's contributions and proportionate share of contributions	123,667	67,135
Contributions subsequent to the measurement date	<u>371,738</u>	<u>-</u>
Total	<u>\$ 1,846,118</u>	<u>\$ 156,836</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31:</u>	<u>Amount</u>
2024	\$ 312,566
2025	(105,667)
2026	480,918
2027	629,726
2028	-
Thereafter	-
Total	<u>\$ 1,317,543</u>

OCRRA recognized \$371,738 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2023, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

10. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

At December 31, 2022, OCRRA reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,277	\$ 85,966
Changes of Assumptions	1,460,551	24,645
Net difference between projected and actual earnings on pension plan investments	-	2,865,796
Changes in proportion and differences between OCRRA's contributions and proportionate share of contributions	133,806	102,051
Contributions subsequent to the measurement date	<u>302,393</u>	<u>-</u>
Total	<u>\$ 1,963,027</u>	<u>\$ 3,078,458</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31:</u>	<u>Amount</u>
2023	\$ (208,534)
2024	(319,255)
2025	(740,220)
2026	(149,815)
2027	-
Thereafter	-
Total	<u>\$ (1,417,824)</u>

OCRRA recognized \$302,393 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2022, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability at March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. The actuarial valuation used the following actuarial assumptions:

Inflation	<u>ERS</u> 2.9%
Salary increases	4.4%
Investment Rate of Return (net investment expense and inflation)	5.9%
Cost of living adjustments	1.5%

Annuitant mortality rates are based on April 1, 2015 – April 1, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

The actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – April 1, 2020.

10. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

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

The target allocation and estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic Equity	32.0%	4.30%
International Equity	15.0	6.85
Private Equity	10.0	7.50
Real Estate	9.0	4.60
Opportunistic/Absolute Return	3.0	5.38
Credit	4.0	5.43
Real Assets	3.0	5.84
Fixed Income	23.0	1.50
Cash	1.0	-0-
Total	100%	

The real rate of return is net of the long-term inflation assumption of 2.50%.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan'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.

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2023 were as follows:

Total pension liability	\$ 232,627,259
Net position	<u>211,183,223</u>
Net pension liability (asset)	<u>\$ 21,444,036</u>
ERS net position as a percentage of total pension liability	<u>90.78%</u>

10. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – December 31, 2023

The following presents OCRRA's proportionate share of the net pension liability calculated using the discount rate of 5.90, as well as what the OCRRA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (4.9%) or 1% higher (6.9%) than the current rate:

	1% Decrease <u>(4.9%)</u>	Current Discount <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 5,512,067	\$ 2,280,946	\$ (419,032)

New York State Employees' Retirement System (NYSERS) (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – December 31, 2022

The following presents OCRRA's proportionate share of the net pension liability calculated using the discount rate of 5.90, as well as what the OCRRA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (4.9%) or 1% higher (6.9%) than the current rate:

	1% Decrease <u>(4.9%)</u>	Current Discount <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 2,252,663	\$ (875,164)	\$ (3,491,441)

Deferred Compensation Plan

Several of OCRRA's employees elect to participate in the New York State Deferred Compensation Plan under Section 457 of the Tax Law.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance Benefits

In addition to providing pension benefits, OCRRA provides health insurance benefits to certain retired employees and their spouses and beneficiaries, hired before April 10, 2002, between the ages of 55 and 65 under a single-employer defined benefit healthcare plan, the OCRRA Postretirement Healthcare Benefits Plan. The plan is administered by OCRRA. OCRRA's Board of Directors has the authority to establish and amend the plan's benefits.

Funding Policy

Eligible employees who retire from employment between the ages of 55 and 61 may waive their COBRA rights and continue their health insurance benefits (exclusive of dental coverage) by paying the full cost of the coverage. These employees at age 62 may continue coverage until they become Medicare eligible by paying 25% of the coverage with OCRRA contributing the other 75% of premiums for eligible retired plan members and their spouses. Once these employees are eligible for Medicare they lose their coverage and receive payments equal to \$50 per month until their death. The payments are intended to offset the cost of Medicare supplemental benefits, but retirees are not required to use the payments for that purpose. Represented employees hired after January 1, 2002, and non-represented employees hired after April 10, 2002 are not eligible for any postemployment benefits.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

OCRRA's annual other postemployment benefit (OPEB) cost is calculated based on the net OPEB obligation and the estimated amortization years remaining. OCRRA has elected to calculate the OPEB obligation and related information using the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members. The following table shows the components of OCRRA's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in OCRRA's net OPEB obligation:

Annual required contribution	\$ 24,713
Actuarial adjustment	8,386
Contributions made	<u>(23,569)</u>
Increase in net OPEB obligation	9,530
Net OPEB obligation - beginning of year	<u>163,464</u>
Net OPEB obligation - end of year	<u>\$ 172,994</u>
Annual OPEB cost	\$ 24,713
Percentage of annual OPEB cost contributed	96%

OCRRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, the net OPEB obligation for the fiscal year 2023 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2021	\$ 24,863	332.46%	\$ 223,763
12/31/2022	20,433	299.32%	163,464
12/31/2023	24,713	95.37%	172,994

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about retirement age and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The valuation is performed December 31 of each year.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Methods and Assumptions (continued)

The following simplifying assumptions were made:

- *Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 63.4 years.
- *Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.
- *Eligibility* - Retirees are entitled to benefits until the age of 65 years.
- *Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was a rate of 10% initially, reduced to an ultimate rate of 5% after eight years.
- *Health insurance premiums* - 2022 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- *Early Retirees* - Health insurance costs for early retirees were calculated based on actual expenses during 2022 and assumes that each retiree retains their current coverage through the date they become Medicare eligible.

Based on the historical and expected returns of OCRRA's cash and cash equivalents, a discount rate of 4% was used.

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

OCRRA leases land, equipment and office facilities under operating leases. Rental payments under these agreements were approximately \$122,000 and \$129,000 during 2023 and 2022, respectively. Obligations under all cancelable and non-cancelable long-term operating leases are as follows at December 31, 2023:

<u>Year</u>	<u>Amount</u>
2024	\$ 112,800
2025	114,800
2026	115,800
2027	61,300
Thereafter	<u>4,800</u>
Total	<u>\$ 409,500</u>

Financed Purchases:

Since 2017, OCRRA utilizes a municipal finance lease program for the purchase of replacement equipment required for OCRRA operations. These agreements allow OCRRA to preserve cash reserves while purchasing needed equipment in a timely manner. Interest rates on these agreements range from 1.75% to 3.38%, and each agreement is for a term of 5 years. During 2023, OCRRA made principal payments of \$398,396, and interest payments of \$19,568. These payments included a final payment on Leases #6 and #7. The net book value of assets under these financed purchases at December 31, 2023 is \$396,756.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Financed Purchases (continued):

The following is an aggregate schedule of future principal and interest payments as of December 31, 2023:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 146,331	\$ 9,518	\$ 155,849
2025	150,489	5,360	155,849
2026	76,840	1,084	77,924

Property Stabilization

In 1997, OCRRA approved a property stabilization program to assist a limited number of property owners who live immediately adjacent to the landfill site. Payments under the plan make up a portion of the difference between the fully assessed value of a property and the actual sales price. In 2023 and 2022, no such payments were made.

Landfill Contracts

OCRRA has a contract with High Acres Landfill for ash disposal through December 2025. The per ton incinerator ash residue disposal charge will range from \$16.95 to \$20.62 over the term of the contract. OCRRA has a contract with Seneca Meadows, Inc. through December 2025, for bypass, ash, and tire disposal. The per ton solid waste/bypass solid waste disposal charge will range from \$29 to \$43 for by-pass, \$24 to \$36 for ash, and \$100 to \$257/ton for tires, over the term of the contract. OCRRA has a contract with Madison County Dept. of Solid Waste for ash disposal through June 2027, with two four-year options thereafter, a per ton incinerator ash residue disposal charge ranging from \$14 to \$15.50 through 2019, and an escalation of 2% per year thereafter. Total costs incurred under all agreements were \$2,674,988 and \$2,452,612 during 2023 and 2022; respectively and are included in landfill contracts on the statements of revenues, expenses and changes in net position.

OCRRA entered into an Interim Host Community Agreement (Interim Agreement) with the Town of Van Buren (Van Buren) in 1998. The Interim Agreement provides for annual payments to Van Buren during the period prior to development of the landfill facility. The Interim Agreement includes provisions for annual increases based upon a five-year rolling average of the Van Buren tax rate. In no case shall such annual increase be greater than 2%, according to the Interim Agreement. The Host Community Interim Agreement was extended pursuant to an automatic renewal provision through the year 2024.

OCRRA recorded payments to Van Buren in the amount of \$62,631 and \$61,937 in 2023 and 2022, respectively.

Litigation

OCRRA is occasionally a party to various proceedings arising in the normal course of business. There are presently no proceedings pending that would have a significant impact on the financial position of OCRRA.

Recycling

OCRRA's current contract with a local material recovery facility has certain termination clauses. Should either party cancel this agreement, OCRRA could incur significant expenditures to continue its recycling program.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Union Contract

OCRRA's contract with union employees runs through December 31, 2026.

Financial Assurance

OCRRA maintains several permits and registrations with the NYS Department of Environmental Conservation (NYSDEC). Regulations require that OCRRA calculate and provide financial assurance for closure costs related to these facilities. OCRRA has elected to meet this requirement through a local government financial test. As of December 31, 2023 and 2022, OCRRA's estimated closure costs were \$2,411,520 and \$2,280,719, respectively, related to non-landfill facilities. These costs are recognized in the year a facility's operations cease; or amortized from the date a decision has been made to cease operations through the closure date. More information on these requirements can be found in the NYS DEC Regulations, specifically 6 NYCRR Part 360.

13. NATIONAL GRID AGREEMENT

OCRRA and National Grid participate in an electricity purchase agreement through 2025. National Grid and OCRRA have established the upper limit for the agreement at 243,000,000 Kwh. For calendar years 2016 through 2025, OCRRA receives 77.50% of the market rate. In 2023 and 2022, respectively OCRRA received an annual average sale price of 2.52 and 4.74 cents per kilowatt hour.

14. CONCENTRATION

The top five haulers delivered approximately 57.4% and 57.0% of the total municipal solid waste to OCRRA during the years ended December 31, 2023, and 2022, respectively. These haulers also accounted for approximately 68% and 67% of accounts receivable at December 31, 2023 and 2022, respectively.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through March 13, 2024, the date the financial statements were available to be issued.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2023**

<u>Year</u>	Actuarial Value of <u>Assets</u>	Total OPEB <u>Liability</u>	<u>Funded Ratio</u>
December 31, 2021	-	223,763	0%
December 31, 2022	-	163,464	0%
December 31, 2023	-	172,994	0%

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule of Proportionate Share of Net Pension Liability (Asset) – in thousands

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportion of the net pension liability (asset)	.01%	.01%	.01%	.01%
Proportionate share of the net pension liability (asset)	\$2,281	(\$875)	\$11	\$3,102
Covered employee payroll	\$4,465	\$3,983	\$3,673	\$3,683
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(51.09%)	(21.97%)	84.22%	22.68%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.78%	103.65%	86.39%	96.27%

Schedule of Proportionate Share of Net Pension Liability (Asset) – in thousands

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	.01%	.01%	.01%	.01%
Proportionate share of the net pension liability (asset)	\$917	\$420	\$1,154	\$2,019
Covered employee payroll	\$4,044	\$3,894	\$4,021	\$3,653
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.78%	28.70%	28.70%	55.26%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	94.70%	90.70%

Schedule of Contributions, Pension Plans – in thousands

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 496	\$ 403	\$ 547	\$ 535
Contributions in relation to the contractually required contribution	<u>\$ 496</u>	<u>\$ 403</u>	<u>\$ 547</u>	<u>\$ 535</u>
Contribution deficiency (excess)	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Covered employee payroll	\$4,465	\$3,983	\$3,673	\$3,683
Contributions as a percentage of covered-employee payroll	11.11%	10.12%	14.89%	14.53%

Schedule of Contributions, Pension Plans – in thousands

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 531	\$ 553	\$ 524	\$ 533
Contributions in relation to the contractually required contribution	<u>\$ 531</u>	<u>\$ 553</u>	<u>\$ 524</u>	<u>\$ 533</u>
Contribution deficiency (excess)	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Covered employee payroll	\$4,044	\$3,894	\$4,021	\$3,653
Contributions as a percentage of covered-employee payroll	13.13%	14.20%	13.03%	14.59%

Information for periods prior to the implementation of GASB 68 (2008-2015) is unavailable and the above-related disclosures will be completed each year going forward as information becomes available.



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CERTIFIED PUBLIC ACCOUNTANTS PLLC

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Onondaga County Resource Recovery Agency
North Syracuse, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Onondaga County Resource Recovery Agency (OCRRA) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise OCRRA's basic financial statements, and have issued our report thereon dated March 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCRRA's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCRRA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCRRA'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCRRA'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 financial statements. 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 OCRRA'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 OCRRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grossman St Amour CPAs

Syracuse, New York
March 13, 2024