

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)

Basic Financial Statements and
Supplementary Information

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Islip Resource Recovery Agency
Islip, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Islip Resource Recovery Agency (the Agency), a component unit of the Town of Islip, New York, as of and for the years ended December 31, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the Agency's ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities 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 auditors' report that includes our opinion. 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 and Government Auditing Standards 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 and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, 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 the Agency'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 audits.

Required Supplementary Information

GAAP requires that management's discussion and analysis and the other required supplementary information as listed in the table of contents 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 GAAS, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2024 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Agency's 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 Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 21, 2024

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management's Discussion and Analysis
December 31, 2023 and 2022

Our discussion and analysis of Islip Resource Recovery Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2023 and 2022. Please read this discussion and analysis along with the financial statements and the accompanying notes to financial statements.

Overview of the Financial Statements

The financial report consists of management's discussion and analysis, the statements of net position, statements of revenue, expenses, and changes in net position, statements of cash flows, and the notes to financial statements. The statements of net position provide a record or snapshot of the assets, deferred outflows of resources, liabilities and deferred inflows of resources at the close of each year. They present the financial position of the Agency on an accrual basis utilizing historical costs. The statements of revenue, expenses, and changes in net position present the results of the business activities of the Agency over the course of each year. The statements of cash flows are related to the other financial statements by the way they analyze changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources and their effect on cash and equivalents over the course of each year. The statements of cash flows are divided into three categories: operating, capital and related financing and investing. The accompanying notes to financial statements provide useful information regarding the Agency's significant accounting policies; explain significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The Agency is a public authority created by Public Authority Law 2046-C. The Agency is a body corporate and politic constituting a Public Benefit Corporation pursuant to the Islip Resource Recovery Act (the Act). Its membership consists of a five member Board of Directors comprised, ex-officio, of the members of the Islip Town Board. Furthermore, the Agency is considered a component unit of the Town of Islip (the Town).

The Agency is authorized by the Act to finance, acquire, construct, operate, and maintain a solid waste management-resource recovery system (which consists of two closed landfills, one cleanfill landfill, one multi-purpose recycling facility, one waste to energy facility, and one yard waste compost facility) in the Town and to contract with the Town for the purpose of receiving, treating, and disposing of municipal solid waste generated in the Town.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management's Discussion and Analysis, Continued

Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 115,443,942	107,093,199	101,357,982
Net pension asset	-	487,809	-
Capital assets, net	<u>3,473,157</u>	<u>3,014,195</u>	<u>2,752,611</u>
Total assets	<u>118,917,099</u>	<u>110,595,203</u>	<u>104,110,593</u>
Deferred outflows of resources	<u>3,491,528</u>	<u>4,372,967</u>	<u>5,911,062</u>
Liabilities:			
Current liabilities	6,172,690	4,873,477	4,525,605
Noncurrent liabilities	<u>42,412,376</u>	<u>43,468,164</u>	<u>47,856,455</u>
Total liabilities	<u>48,585,066</u>	<u>48,341,641</u>	<u>52,382,060</u>
Deferred inflow of resources	<u>5,791,600</u>	<u>6,558,519</u>	<u>3,408,819</u>
Net position	<u>\$ 68,031,961</u>	<u>60,068,010</u>	<u>54,230,776</u>

Condensed Statements of Revenue, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenue	\$ 43,239,054	44,608,900	42,717,103
Operating expenses	<u>39,611,489</u>	<u>39,434,293</u>	<u>37,791,702</u>
Operating income	3,627,565	5,174,607	4,925,401
Nonoperating revenue (expense)	<u>4,336,386</u>	<u>662,627</u>	<u>(18,627)</u>
Change in net position	7,963,951	5,837,234	4,906,774
Net position at beginning of year	<u>60,068,010</u>	<u>54,230,776</u>	<u>49,324,002</u>
Net position at end of year	<u>\$ 68,031,961</u>	<u>60,068,010</u>	<u>54,230,776</u>

Debt Administration

At December 31, 2023, the Agency had no in bonds outstanding. Total interest payments on the Agency's bonds were \$30,592 for the year ended December 31, 2022.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management's Discussion and Analysis, Continued

Blydenburgh Cleanfill

The Blydenburgh Cleanfill Landfill, Phase I and Phase II, remains active and continues to accept construction and demolition debris. It is projected that these cells will have available capacity through 2025.

During 2020, the Agency began the partial capping and closure of the construction & demolition (C&D) portion of the Cleanfill Landfill. This partial closing cost \$6.4 million in 2020.

The Agency continues to operate its Groundwater Remediation Facility as required by the New York State Department of Environmental Conservation (NYSDEC) and Environmental Protection Agency (EPA). All post-closure requirements are being met.

Sayville Landfill

The capping of the Lincoln Avenue Landfill (Sayville Landfill) started in 2012, and it was completed in May 2013. Post-closure groundwater, gas, and site monitoring commenced in 2014 and continues for 30 years. In addition, the Sayville Landfill site houses the Agency's multi-purpose recycling facility. This facility accepts and processes all curbside recyclable materials generated by the residents of the Town.

	<u>Other Selected Information</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Collection unit			
Dwelling units	8,705	8,691	8,679
Collection fees	<u>\$ 3,006,011</u>	<u>3,001,003</u>	<u>2,997,032</u>
MacArthur Resource Recovery Facility (MRRF) Operations			
Billable tons	191,004	189,868	187,072
Tipping fees	<u>\$ 33,785,088</u>	<u>36,840,270</u>	<u>35,892,546</u>
Kilowatt Hours (kWh) produced	54,079,126	52,930,396	43,617,136
Electricity sales	<u>\$ 3,071,851</u>	<u>3,546,715</u>	<u>2,670,900</u>
Compost sales revenue	<u>\$ 159,742</u>	<u>151,466</u>	<u>154,568</u>
Sayville recycling fees	<u>\$ 191,623</u>	<u>188,805</u>	<u>159,057</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management's Discussion and Analysis, Continued

MacArthur Resource Recovery Facility (MRRF) Electricity Warranty

The electric export warranty agreement calls for the generation of 53,152,847 kWh per year. The total kWh produced for 2023 was 54,079,126. This resulted in a surplus of 929,279 kWh as compared to the warranty. This excess calculates to \$17,635 in warranty provision expense, which was owed to the operator according to the electricity sales warranty.

Allowances of 269,722 kWh and 417,600 kWh were granted during 2022 due to events that were considered "Uncontrolled Circumstances" under the warranty agreement. The total kWh produced for 2022 was 52,930,396. This resulted in a surplus of 464,961 kWh as compared to the allowed warranty. This excess calculates to \$8,927 in warranty provision expense, which was owed to the operator according to the electricity sales warranty.

Ash Warranty

The operating agreement provides for the generation of not more than 38% of billable tons of municipal solid waste. During 2023, the total of ash generated was 49,447 tons, which was 14,783 tons less than the contractual limit of 38% of billable tons. This savings resulted in an ash warranty payment to the operator in the amount of \$388,148.

During 2022, the total of ash generated was 50,022 tons, which was 11,322 tons less than the contractual limit of 38% of billable tons. This savings resulted in an ash warranty payment to the operator in the amount of \$283,188.

Collection Unit

The Agency continues to maintain and provide solid waste collection services to approximately 8,700 homes within the Town's consolidated refuse and collection district. During 2023, 2022 and 2021, the Agency's collection unit serviced seven contract bid areas on behalf of the Town's consolidated refuse and garbage district.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management's Discussion and Analysis, Continued

Financial Condition

The Agency's financial condition remained strong at year-end with sufficient cash and equivalents coupled with an adequate and reliable solid waste facility and collection system in place. The current financial condition, technical support staff capabilities, and operational planning to meet taxpayer needs are well balanced and under control. The following summarizes the statements of net position:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	<u>\$ 115,443,942</u>	<u>107,093,199</u>	<u>101,357,982</u>
Capital assets, net	<u>\$ 3,473,157</u>	<u>3,014,195</u>	<u>2,752,611</u>
Net position	<u>\$ 68,031,961</u>	<u>60,068,010</u>	<u>54,230,776</u>

Capital Assets

At December 31, 2023, the Agency had capital assets of \$3,473,157, as compared to \$3,014,195 at December 31, 2022. The net increase from 2022 in the amount of \$458,962 is attributed to capital asset additions of \$889,734 offset by depreciation expense of \$440,772.

At December 31, 2022, the Agency had capital assets of \$3,014,195, as compared to \$2,752,611 at December 31, 2021. The net increase from 2021 in the amount of \$261,584 is attributed to capital asset additions of \$578,174 offset by depreciation expense of \$316,590.

Results of Operations

Revenue

Operating revenue falls into various categories, with the three major sources being tipping fees, collections and sale of electricity. Ancillary revenue consists of recycling fees, compost sales, rent revenue, operating grants, ash disposal, and other sales.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Tipping fees	\$ 33,785,088	36,840,270	35,892,546
Collections	3,006,011	3,001,003	2,997,032
Sale of electricity	3,071,851	3,546,715	2,670,900
Ancillary revenue	<u>3,376,104</u>	<u>1,220,912</u>	<u>1,156,625</u>
Total operating revenue	<u>\$ 43,239,054</u>	<u>44,608,900</u>	<u>42,717,103</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management’s Discussion and Analysis, Continued

Total operating revenue for the year ended December 31, 2023 decreased by \$1,369,846, or 3.1% from 2022. This decrease was related primarily to decreased tipping fee volume as well as a decline in the average price per kWh of electricity generation.

Total operating revenue for the year ended December 31, 2022 increased by \$1,891,797, or 4.4% from 2021. This increase was related primarily to increased tipping fee volume offset by a decline in electricity generation.

Expenses

The majority of the Agency’s expenses relate to the collection and disposal of solid waste. The largest operating expenses of the Agency are administrative charges, which reimburse the Town for allocated expenses and service fees paid to the third-party operator of the Agency’s power generating waste to energy facility.

In 2023 total operating expenses increased by \$177,196 or 0.4%. The increase is a result of an increase in administrative fees due to the Town due to increased payroll and higher gas prices and an increase in service fees for waste removal and recycling. These increases were offset by a decrease in employee benefits caused by actuarial changes related to pensions (note 7) and other postemployment benefits (note 8).

In 2022 total operating expenses increased by \$1,642,591 or 4.3%. The increase is a result of an increase in administrative fees due to the Town due to increased payroll and higher gas prices and an increase in service fees for waste removal and recycling. These increases were offset by a decrease in landfill closure and post-closure expenses and a decrease in employee benefits caused by actuarial changes related to pensions (note 7) and other postemployment benefits (note 8).

Cash Flows Activity

The following table summarizes the Agency’s total operating revenue and net cash provided by operating activities over the last three years.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total operating revenue	\$ 43,239,054	44,608,900	42,717,103
Net cash provided by operating activities	\$ 5,230,866	6,078,221	5,911,343

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management's Discussion and Analysis, Continued

Capital Assets and Long-Term Debt

The investment in capital assets to date is \$3,473,157, and the Agency maintains a constant review of the capital expenditure needs necessary to provide maintenance and capital upgrades. This investment was initially funded by the issuance of long-term debt. Annual cash flows are utilized for current upgrades and maintenance.

Final Comments

The Agency, in a continuing commitment to its mission to provide affordable, efficient, and reliable solid waste services, is continually examining its work practices to find more efficient and productive methods of achieving this mission. The Agency will continue monitoring the possibility of new capital investments and the investigation of new methods of processing and disposing solid waste, in accordance with changing environmental regulations, industry practices, and the needs of Islip constituents.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Islip Resource Recovery Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Islip Resource Recovery Agency, 401 Main Street, Islip, New York 11751.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and equivalents	\$ 110,653,845	102,057,154
Investments	2,973,868	2,903,041
Accounts receivable, net	1,065,130	1,517,989
Due from the Town of Islip	362,436	238,609
Due from other governments	34,885	18,725
Prepaid expenses	<u>353,778</u>	<u>357,681</u>
Total current assets	<u>115,443,942</u>	<u>107,093,199</u>
Noncurrent assets:		
Net pension asset	-	487,809
Capital assets, net	<u>3,473,157</u>	<u>3,014,195</u>
Total noncurrent assets	<u>3,473,157</u>	<u>3,502,004</u>
Total assets	<u>118,917,099</u>	<u>110,595,203</u>
Deferred outflows of resources	<u>3,491,528</u>	<u>4,372,967</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	2,613,411	2,329,981
Due to the Town of Islip	2,888,274	1,901,277
Due to other governments	271,457	241,034
Current portion of noncurrent liabilities	<u>399,548</u>	<u>401,185</u>
Total current liabilities	<u>6,172,690</u>	<u>4,873,477</u>
Noncurrent liabilities:		
Landfill closure and post-closure obligation, less current portion	26,941,032	27,200,128
Compensated absences, less current portion	355,928	370,669
Net pension liability	1,232,287	-
Total OPEB liability	<u>13,883,129</u>	<u>15,897,367</u>
Total noncurrent liabilities	<u>42,412,376</u>	<u>43,468,164</u>
Total liabilities	<u>48,585,066</u>	<u>48,341,641</u>
Deferred inflows of resources	<u>5,791,600</u>	<u>6,558,519</u>
Net position:		
Net investment in capital assets	3,473,157	3,014,195
Restricted	2,500,000	2,500,000
Unrestricted	<u>62,058,804</u>	<u>54,553,815</u>
Total net position	<u>\$ 68,031,961</u>	<u>60,068,010</u>

See accompanying notes to financial statements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Tipping fees	\$ 33,785,088	36,840,270
Collections	3,006,011	3,001,003
Sale of electricity	3,071,851	3,546,715
Recycling	191,623	188,805
Compost sales	159,742	151,466
Rent revenue	217,235	213,235
Ash disposal	311,654	307,820
Other revenue	<u>2,495,850</u>	<u>359,586</u>
Total operating revenue	<u>43,239,054</u>	<u>44,608,900</u>
Operating expenses:		
Administrative fees	11,372,198	10,943,581
Service fees	14,476,818	14,309,062
Ash treatment	3,479,185	3,290,829
Intermunicipal tipping fees	59,614	154,129
Depreciation	440,772	316,590
Landfill closure and post-closure costs	183,620	-
Personal services	1,922,825	1,894,275
Employee benefits	1,463,734	1,876,703
Contractual expenses	2,773,067	3,017,153
Professional fees	111,541	120,778
Rent and utilities	786,484	794,451
Miscellaneous	<u>2,541,631</u>	<u>2,716,742</u>
Total operating expenses	<u>39,611,489</u>	<u>39,434,293</u>
Operating income	<u>3,627,565</u>	<u>5,174,607</u>
Nonoperating revenue (expense):		
Investment income	4,336,386	677,923
Interest expense	<u>-</u>	<u>(15,296)</u>
Total nonoperating revenue	<u>4,336,386</u>	<u>662,627</u>
Change in net position	7,963,951	5,837,234
Net position at beginning of year	<u>60,068,010</u>	<u>54,230,776</u>
Net position at end of year	<u>\$ 68,031,961</u>	<u>60,068,010</u>

See accompanying notes to financial statements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Statements of Cash Flows
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 43,551,926	43,741,838
Cash payments:		
Personal services and employee benefits	(3,585,046)	(3,511,028)
Goods and services	<u>(34,736,014)</u>	<u>(34,152,589)</u>
Net cash provided by operating activities	<u>5,230,866</u>	<u>6,078,221</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(899,734)	(578,174)
Principal payments on revenue bonds payable	-	(1,280,000)
Interest payments on revenue bonds payable	<u>-</u>	<u>(30,592)</u>
Net cash used in capital and related financing activities	<u>(899,734)</u>	<u>(1,888,766)</u>
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	(298,944)	2,270,314
Purchase of investments	228,117	(1,434,677)
Investment income	<u>4,336,386</u>	<u>677,923</u>
Net cash provided by investing activities	<u>4,265,559</u>	<u>1,513,560</u>
Net increase in cash and equivalents	8,596,691	5,703,015
Cash and equivalents at beginning of year	<u>102,057,154</u>	<u>96,354,139</u>
Cash and equivalents at end of year	<u>\$ 110,653,845</u>	<u>102,057,154</u>

(Continued)

See accompanying notes to financial statements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Statements of Cash Flows, Continued

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,627,565	5,174,607
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	440,772	316,590
Change in allowance for doubtful accounts	(10,556)	12,083
Changes in:		
Accounts receivable	463,415	(865,960)
Due from the Town of Islip	(123,827)	(7,787)
Due from other governments	(16,160)	(5,398)
Prepaid expenses	3,903	(777)
Net pension asset	487,809	(487,809)
Deferred outflows of resources, pension	101,727	350,616
Deferred outflows of resources, OPEB	779,712	1,187,479
Accounts payable and accrued expenses	283,430	547,386
Due to the Town of Islip	986,997	1,103,312
Due to other governments	30,423	318
Landfill closure and post-closure obligation	(259,096)	(456,367)
Compensated absences	(16,378)	(78,480)
Net pension liability	1,232,287	(5,831)
Total OPEB liability	(2,014,238)	(3,855,461)
Deferred inflows of resources, pension	(1,606,309)	(42,071)
Deferred inflows of resources, OPEB	839,390	3,191,771
Net cash provided by operating activities	<u>\$ 5,230,866</u>	<u>6,078,221</u>

See accompanying notes to financial statements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)

Notes to Financial Statements

December 31, 2023 and 2022

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Islip Resource Recovery Agency (the Agency) was authorized by the New York State (the State) Legislature and established by a referendum approved by a majority of the Town of Islip's (the Town) voters in 1982 as a body corporate and politic constituting a public benefit corporation and a public authority of the State pursuant to the Islip Resource Recovery Agency Act (the Act).

The Agency is governed by a five-member Board of Directors comprised, ex-officio, of the five members of the Board of the Town and is considered a component unit of the Town.

The Agency is authorized by the Act to finance, acquire, construct, operate, and maintain a solid waste management-resource recovery system (which consists of two closed landfills; a cleanfill, Phase I and Phase II; the MacArthur Resource Recovery Facility, a material recovery facility; and a composting facility) in the Town and to contract with the Town for the purpose of receiving, treating, and disposing of municipal solid waste generated in the Town.

All governmental activities and functions performed for the Agency are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

(b) Basis of Accounting and Presentation of Financial Statements

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

The Agency's financial statements consist of two enterprise funds, the Agency Fund and the Collection Unit Fund. These are proprietary funds used to account for activities that are similar to those often found in the private sector. The Agency Fund is used to account for the activities of the solid waste management-resource recovery system described in note 1(a). The Collection Unit Fund is used to account for the activities of automated garbage collection services provided for ten Town garbage districts.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. With this measurement focus, all assets, liabilities, and deferred outflows and inflows of resources associated with the operations are included on the statements of net position.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

(b) Basis of Accounting and Presentation of Financial Statements, Continued

Net position is segregated into restricted and unrestricted components, as follows:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus restricted capital assets funded using bond proceeds, and reduced by outstanding balances of any bonds or other borrowings and related deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position has external constraints placed on use.
- Unrestricted net position consists of assets, liabilities, and deferred outflows and inflows of resources that do not meet the definition of “net investment in capital assets” or “restricted net position.”

Revenue is recognized when earned (generally as services are provided), and expenses are recognized when incurred. The Agency distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Agency’s principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(c) Budgetary Accounting

The Agency is not required by law to establish a budget. For management control purposes, budgeting is utilized for various activities. The initial budget is approved by the Agency’s Board of Directors and subsequent amendments are made by management.

(d) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(e) Fair Value Measurements

The Agency reports certain assets at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

(f) Cash, Equivalents and Investments

Cash and equivalents consist of cash deposits in banks and other short-term investments whether unrestricted or restricted, with a maturity of three months or less from the date of purchase. Short-term investments consist of money market funds with underlying investments in obligations of the U.S. government and repurchase agreements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

(f) Cash, Equivalents and Investments, Continued

The Agency, which is a component unit of the Town, adheres to the Town's investment policy. The investment policy allows investments in certificates of deposit, time deposits, obligations of the United States, obligations of New York State, repurchase agreements of obligations of the United States, and obligations of agencies of the Federal government where principal and interest are guaranteed by the United States. All investments are made pursuant to this investment policy and comply with applicable provisions of State and Federal law. In addition, the written investment policy requires certificates of deposit and time deposit accounts to be fully covered by Federal Deposit Insurance Corporation (FDIC) insurance, or by the delivery of authorized investments (collateralized).

Cash deposits with financial institutions are either covered by the FDIC or collateralized by securities held by the pledging bank's trust department in the Agency's name, or U.S. Government and/or federal agency securities held by the Trustee. Cash equivalents in money market funds and investments are held in the Agency's name by their custodian and, therefore, not subject to custodial risk.

The Agency reports investments at fair value.

(g) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has established an allowance for uncollectible accounts of \$80,192 and \$90,748 at December 31, 2023 and 2022, respectively.

(h) Capital Assets

Capital assets are stated at cost, net of accumulated depreciation. Major expenditures for capital assets and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts, and resulting gains and losses are included in income. The assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Estimated Useful Life</u>
MacArthur Resource Recovery Facility	25 years
Machinery and equipment; and furniture and fixtures	4 - 10 years
Buildings and site improvements	5 - 40 years

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

(h) Capital Assets, Continued

Long-lived assets held and used in operations are reviewed for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. No impairment occurred for the years ended December 31, 2023 and 2022.

(i) Landfill Closure and Post-Closure Costs

New York State and Federal laws and regulations require the Agency to place a final cover on its landfill sites when the sites are filled to capacity and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

Although closure and post-closure care costs will be paid after the sites cease to accept waste, the Agency is required to report the costs as an operating expense in each period based on landfill capacity used as of each statement of net position date.

The Agency currently has three sites that are required by law to incur these costs. Two landfills have been capped and closed, and one landfill, a cleanfill landfill Phase I and Phase II, is currently active.

The estimated liability for landfill closure and post-closure care costs amounted to \$27,301,032 and \$27,560,128 as of December 31, 2023 and 2022, respectively. The estimated total cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of December 31, 2023 and 2022, respectively. However, the actual costs of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The amount recognized for the cleanfill landfill, Phase I, is based upon the usage of 96.79% and 95.47% of capacity for 2023 and 2022, respectively. The amount recognized for the cleanfill landfill, Phase II, is based on the usage of 99.58% and 99.74% of the capacity for 2023 and 2022, respectively. It is estimated that an additional \$297,872 for Phase I and \$58,595 for Phase II will be recognized as closure and post-closure care expenses between January 1, 2023 and 2025, when the sites are expected to be filled to capacity.

The Agency is not required by New York State and Federal laws and regulations to make annual contributions to finance closure and post-closure care for these sites.

(j) Insurance

The Agency participates in the Town's self-insurance program for all risks except state unemployment insurance and workers' compensation. The Town assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

(k) Compensated Absences

Pursuant to Agency policy, its employees are granted vacation and sick leave in varying amounts. Upon termination of service, employees receive payment for unused sick leave up to a maximum of 150 days and unused vacation leave up to a maximum of 50 days at the prior year-end plus accrued time for the current year less any time used. The cost of accumulated vacation and sick leave is recorded as a liability when incurred.

(l) Pension Benefits

The Agency is a participating employer in the New York State and Local Employees' Retirement System (the System), which is a cost sharing, multiple employer, public employee defined benefit retirement system. Employees of the Agency have the option to enroll in the System. The Agency's proportionate share of its net pension asset/liability, along with deferred outflows and inflows of resources are reported in the statements of net position. The impact on the Agency's financial position and results of operations due to its participation in the System is more fully disclosed in note 7.

(m) Other Postemployment Benefits

In addition to providing pension benefits, the Agency provides health care benefits for retired employees and their survivors. Substantially all of the Agency's employees may become eligible for these benefits if they reach normal retirement age while working for the Agency. The cost of providing these benefits is reported on the accrual basis of accounting. See note 8 for further disclosure of other postemployment benefits.

(n) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows and deferred inflows of resources are reported in separate sections following assets and liabilities, respectively.

The Agency reports deferred outflows of resources and deferred inflows of resources for pensions and other postemployment benefits (OPEB) as described in notes 7 and 8, respectively.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

(n) Deferred Outflows and Inflows of Resources, Continued

The following is a summary of deferred outflows and inflows of resources as of December 31, 2023 and 2022:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension related deferrals	\$ 927,469	62,865	1,029,196	1,669,174
OPEB related deferrals	<u>2,564,059</u>	<u>5,728,735</u>	<u>3,343,771</u>	<u>4,889,345</u>
Total	<u>\$ 3,491,528</u>	<u>5,791,600</u>	<u>4,372,967</u>	<u>6,558,519</u>

(o) Net Position

The Agency maintains the following required reserves as part of their bond indenture:

Capital Reserve

In accordance with the 2014 refunding bonds agreement, a capital reserve fund of \$2,500,000 was created using existing resources to be used for the payment of the cost of capital improvements to the land, structure, and facilities of the Agency. In accordance with the agreement, the Agency has restricted net position for the purposes of the capital reserve.

The following tables summarize the components of the Agency's net investment in capital assets:

	2023		
	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Net investment in capital assets - capital assets, net	\$ <u>2,024,293</u>	<u>1,448,864</u>	<u>3,473,157</u>
	2022		
	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Net investment in capital assets - capital assets, net	\$ <u>1,886,120</u>	<u>1,128,075</u>	<u>3,014,195</u>

(p) Subsequent Events

The Agency has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(2) Cash and Equivalents and Investments

(a) Cash and Equivalents and Investments

The Town maintains a consolidated account and temporary investments with a financial institution on behalf of the Agency. The amount held by the Town on behalf of the Agency was \$102,395,926 and \$94,175,551 as of December 31, 2023 and 2022, respectively. The Agency's other cash and equivalents consist of deposit accounts.

(b) Investments

The Agency's investments consist exclusively of money market funds as of December 31, 2023 and 2022. The Agency's money market fund is a mutual fund subject to the maturity, quality, liquidity and diversification requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and seeks to maintain a stable share price of \$1.00. It normally invests at least 99.5% of its total assets in securities issued or guaranteed as to principal and interest by the U.S. government or its agencies or instrumentalities, repurchase agreements collateralized solely by cash and/or government securities, and cash. The money market fund had a AAA rating by S&P and Moody's as of December 31, 2023.

(c) Fair Value Measurements

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Agency has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(2) Cash and Equivalents and Investments, Continued

(c) Fair Value Measurements, Continued

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2023 and 2022:

Money Market Funds - Valued based on quoted market prices in active markets. The Agency considered investments in money market funds to be Level 1.

The methods described above may produce a fair value calculation that may not be reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(3) Accounts Receivable, Due From/To Town of Islip and Other Governments

Accounts receivable and amounts due from the Town and other governments at December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Due from the Town of Islip		
Tipping fees	\$ 158,366	57,223
Clean air act reimbursement	<u>204,070</u>	<u>181,386</u>
Total	\$ <u>362,436</u>	<u>238,609</u>
Due from other governments - tipping fees	\$ <u>34,885</u>	<u>18,725</u>
Accounts receivable, net		
Tipping fees	\$ 341,939	323,799
Recyclable sales	20,718	13,074
Electricity sales	710,922	678,835
Secure waste	31,504	40,819
Insurance reimbursement	-	507,000
Other	<u>40,239</u>	<u>45,210</u>
	1,145,322	1,608,737
Less allowance for doubtful accounts	<u>(80,192)</u>	<u>(90,748)</u>
	\$ <u>1,065,130</u>	<u>1,517,989</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(3) Accounts Receivable, Due From/To Town of Islip and Other Governments, Continued

Amounts due to the Town and other governments at December 31, 2023 and 2022 consist of the following:

	2023		
	Agency Fund	Collection Unit Fund	Total
Due to the Town of Islip:			
General liability insurance	\$ 6,411	75,129	81,540
Workers' compensation	30,979	72,285	103,264
Fuel reimbursement	757	9,142	9,899
Administrative overhead	<u>2,693,571</u>	-	<u>2,693,571</u>
Total	<u>\$ 2,731,718</u>	<u>156,556</u>	<u>2,888,274</u>
Due to other governments -			
Town of Brookhaven - ash disposal	<u>\$ 271,457</u>	-	<u>271,457</u>
	2022		
	Agency Fund	Collection Unit Fund	Total
Due to the Town of Islip:			
General liability insurance	\$ 7,932	58,716	66,648
Workers' compensation	39,584	73,513	113,097
Fuel reimbursement	3,990	36,965	40,955
Administrative overhead	<u>1,680,577</u>	-	<u>1,680,577</u>
Total	<u>\$ 1,732,083</u>	<u>169,194</u>	<u>1,901,277</u>
Due to other governments -			
Town of Brookhaven - ash disposal	<u>\$ 241,034</u>	-	<u>241,034</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(5) Long-Term Liabilities

The following tables summarize the Agency's long-term liabilities at December 31, 2023 and 2022.

	December 31,			December 31, Due Within	
	<u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>2023</u>	<u>One Year</u>
Bonds payable	\$ -	-	-	-	-
Compensated absences	411,854	-	(16,378)	395,476	39,548
Net pension liability	-	1,232,287	-	1,232,287	-
Total OPEB liability	15,897,367	-	(2,014,238)	13,883,129	-
Landfill closure and post-closure costs	<u>27,560,128</u>	<u>-</u>	<u>(259,096)</u>	<u>27,301,032</u>	<u>360,000</u>
Total	<u>\$43,869,349</u>	<u>1,232,287</u>	<u>(2,289,712)</u>	<u>42,811,924</u>	<u>399,548</u>

	December 31,			December 31, Due Within	
	<u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>2022</u>	<u>One Year</u>
Bonds payable	\$ 1,280,000	-	(1,280,000)	-	-
Compensated absences	490,334	-	(78,480)	411,854	41,185
Net pension liability	5,831	-	(5,831)	-	-
Total OPEB liability	19,752,828	-	(3,855,461)	15,897,367	-
Landfill closure and post-closure costs	<u>28,016,495</u>	<u>-</u>	<u>(456,367)</u>	<u>27,560,128</u>	<u>360,000</u>
Total	<u>\$49,545,488</u>	<u>-</u>	<u>(5,676,139)</u>	<u>43,869,349</u>	<u>401,185</u>

(6) Revenue Bonds Payable

On July 2, 2014, the Agency issued \$9,425,000 in Series G 2014 Revenue Refunding Bonds at an interest rate of 2.39% to refund \$10,690,000 in Series E 2004 bonds. Annual principal payments were required through 2022.

The Agency's constitutional debt limit at December 31, 2023 and 2022, was \$50,000,000. The bond indenture limits indebtedness to the amounts issued under that agreement. The Agency also covenants and agrees not to sell, convey, transfer, mortgage, or encumber its interest in the project, except as specifically allowed, so long as the bonds are outstanding.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(7) New York State Retirement System

(a) Plan Description and Benefits Provided

The Agency participates in the System, a cost-sharing multiple-employer retirement system. The System provides 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 (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public 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.

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retirement/publications or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

(b) Contributions

Employees in Tiers I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary, Tier V employees who contribute 3% of their salary, and Tier VI employees who contribute between 3% and 6% of their salary. Under the authority of the System, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

(c) Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the Pension

At December 31, 2023 and 2022, the Agency reported an asset (liability) of (\$1,232,287) and \$487,809 for its proportionate share of the net pension asset (liability), respectively. 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 asset (liability) was determined by an actuarial valuation as of April 1, 2022 and April 1 2021. The Agency's proportion of the net pension asset (liability) was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2023 and 2022, the Agency's proportion was 0.0057465% and 0.0059674%, respectively.

For the years ended December 31, 2023 and 2022, the Agency recognized pension expense of \$436,330 and \$33,179, respectively.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(7) New York State Retirement System, Continued

(c) Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2023 and 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 131,248	34,607	36,942	47,916
Changes of assumptions	598,478	6,614	814,098	13,737
Net differences between projected and actual investment earnings on pension plan investments	-	7,240	-	1,597,369
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,622	14,404	29,072	10,152
Agency contributions subsequent to the measurement date	<u>171,121</u>	-	<u>149,084</u>	-
Total	\$ <u>927,469</u>	<u>62,865</u>	<u>1,029,196</u>	<u>1,669,174</u>

Agency contributions subsequent to the measurement date are recognized as an increase of the net pension asset or as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,

2024	\$ 164,956
2025	(60,722)
2026	254,504
2027	<u>334,745</u>
Total	\$ <u>693,483</u>

(d) Actuarial Assumptions

The total pension liability at March 31, 2023 and 2022 was determined by using actuarial valuations as of April 1, 2022 and 2021, respectively, with update procedures used to roll forward the total pension liability to March 31, 2023 and 2022. The actuarial valuations used the following actuarial assumptions:

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(7) New York State Retirement System, Continued

(d) Actuarial Assumptions, Continued

	<u>March 31,</u>	
	<u>2023</u>	<u>2022</u>
Investment rate of return (net of investment, expense, including inflation)	5.9%	5.9%
Salary increases	4.4%	4.4%
Cost of living adjustments	1.5%	1.4%
Inflation	2.9%	2.7%

Annuitant mortality rates for the April 1, 2022 actuarial valuation are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. The actuarial valuation as of April 1, 2021 used the same assumptions to measure the total pension liability.

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 - March 31, 2020. The actuarial assumptions used in the April 1, 2021 valuation used the same assumptions to measure the total pension liability.

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 to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2022 are summarized as follows:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
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/ARS portfolio	3.0%	5.38%
Credit	4.0%	5.43%
Real assets	3.0%	5.84%
Fixed Income	23.0%	1.50%
Cash	<u>1.0%</u>	0.00%
	<u>100.0%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.5%.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(7) New York State Retirement System, Continued

(e) Discount Rate

The discount rate used to measure the total pension liability was 5.9% for the years ended March 31, 2023 and 2022. 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 determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(f) Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension asset (liability) at December 31, 2023 and 2022 calculated using the discount rate of 5.9%, as well as what the Agency's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than those rates:

	2023		
	1% Decrease (4.9%)	Discount Rate (5.9%)	1% Increase (6.9%)
Agency's proportionate share of the net pension asset (liability)	\$ (2,977,909)	(1,232,287)	226,383
	2022		
	1% Decrease (4.9%)	Discount Rate (5.9%)	1% Increase (6.9%)
Agency's proportionate share of the net pension asset (liability)	\$ (1,255,614)	487,809	1,946,098

(g) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the Employee's Retirement System as of March 31, were as follows (dollars in thousands):

	2023	2022
Employers' total pension liability	\$ (232,627,259)	(223,874,888)
Fiduciary net position	211,183,223	232,049,473
Employers' net pension asset (liability)	\$ (21,444,036)	8,174,585
Ratio of fiduciary net position to the employers' total pension liability	90.78%	103.65%

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB)

The Agency provides health care benefits for eligible retired employees comprised of a 100% monthly premium contribution toward their health insurance costs. Eligible retirees may also have a spouse and dependents covered at the retired employees' expense. Healthcare benefits are provided through insurance companies whose premiums are based on the benefits provided.

The benefit plan is administered and accounted for as a single-employer defined benefit plan. A summary of active employees and retired employees covered under this benefit plan as of December 31, 2023 is as follows:

	<u>Actives</u>	<u>Inactives Receiving Benefits</u>	<u>Total Census</u>
Female	6	3	9
Male	<u>17</u>	<u>19</u>	<u>36</u>
Total	<u>23</u>	<u>22</u>	<u>45</u>

The contribution requirements of benefit plan members and the Agency are established pursuant to applicable collective bargaining and employment agreements. The required rates of the employer and the members may vary depending on the applicable agreement. The Agency is not required to fund the benefit plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the years ended December 31, 2023 and 2022, the Agency paid \$558,152 and \$555,348, respectively, on behalf of the plan members. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

(a) Total OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At December 31, 2023 and 2022, the Agency reported a liability of \$13,883,129 and \$15,897,367 for its total OPEB liability, respectively. The total OPEB liability was measured as of December 31, 2023 by an actuarial valuation as of January 1, 2023. For the years ended December 31, 2023 and 2022, the Agency recognized OPEB expense of \$163,016 and \$1,045,638, respectively. At December 31, 2023 and 2022, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,004,220	2,484,617	1,382,141	600,491
Changes of assumptions	<u>1,559,839</u>	<u>3,244,118</u>	<u>1,961,630</u>	<u>4,288,854</u>
Total	<u>\$ 2,564,059</u>	<u>5,728,735</u>	<u>3,343,771</u>	<u>4,889,345</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB), Continued

(a) Total OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB, Continued

Amounts reported as deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year ending December 31,</u>	
2024	\$ (556,307)
2025	(765,158)
2026	(1,052,879)
2027	(701,519)
2028	<u>(88,813)</u>
Total	\$ <u>(3,164,676)</u>

(b) Actuarial Assumptions

The total OPEB liability in the December 31, 2023 and 2022 measurement were was determined using the following actuarial assumptions:

Discount Rate	3.26% December 31, 2023; 3.72% December 31, 2022
Valuation Date	January 1, 2023
Payroll Growth	2.50%
Mortality	Utilized rates developed in the report, “New York State/SUNY GASB 75 - “Valuation Development of Recommended Actuarial Assumptions” prepared in August 2022.
Participation Rate	100% of current active employees, assumed 75% of male and 50% of female employee will elect spousal coverage.
Actuarial Cost Method	Entry Age Actuarial

Healthcare trend rates for Medicare and Non-Medicare coverage are as follows:

<u>Year</u>	<u>Non Medicare</u>	<u>Medicare Part B</u>
2023	7.00%	5.00%
2024	6.50%	5.00%
2025	6.00%	5.00%
2026	5.50%	5.00%
2027+	5.00%	5.00%

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB), Continued

(c) Schedule of Change in the Total OPEB Liability

Balance at December 31, 2022	\$ 15,897,367
Changes for the year:	
Service cost	291,460
Interest on total OPEB liability	476,790
Differences between expected and actual experience	(2,749,826)
Changes in assumptions and other inputs	525,490
Benefit payments	<u>(558,152)</u>
Net change	<u>(2,014,238)</u>
Balance at December 31, 2023	\$ <u>13,883,129</u>

(d) Sensitivity of the Total OPEB Liability to the Health Care Trend Rate and Discount Rate

The following presents the total OPEB liability as of December 31, 2023 using current health care cost trend rates as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower and 1% higher than the current rate:

	1% <u>Decrease</u>	Current Healthcare <u>Trend Rates</u>	1% <u>Increase</u>
Total OPEB liability	\$ <u>11,890,853</u>	<u>13,883,129</u>	<u>16,396,001</u>

The following presents the total OPEB liability of the plan as of December 31, 2023, calculated using the discount rate of 3.26%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% <u>Decrease</u>	Current Healthcare <u>Discount Rate</u>	1% <u>Increase</u>
Total OPEB liability	\$ <u>16,114,538</u>	<u>13,883,129</u>	<u>12,093,991</u>

(9) Related Party Transactions

On December 1, 1985, the Agency entered into a solid waste management agreement with the Town, as amended, that expires on December 1, 2024. Under the terms of the agreement, the Agency took title to the Town's solid waste disposal facilities for use in operations. The Town was retained by the Agency to provide management and administrative services for the Agency. The Town is reimbursed for these items through the remittance of administrative fees.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(9) Related Party Transactions, Continued

On an annual basis, the Agency and Town enter into a management services agreement, which defines the charges to the Agency for services provided by the Town. The administrative fees expense amounted to \$11,372,198 and \$10,943,581 or the years ended December 31, 2023 and 2022, respectively.

In April 1989, the Agency entered into an agreement to lease the Blydenburgh Landfill and the Sayville Landfill Facility (inclusive of the material recovery facility) to the Town for a period of 99 years. The annual lease payment is \$1 for each of the facilities.

Tipping fees revenue earned from the disposal of Town waste was approximately \$1,098,924 and \$763,328 for the years ended December 31, 2023 and 2022, respectively.

(10) Commitments and Contingencies

(a) Litigation

The Agency is a defendant in several lawsuits arising from the normal conduct of its affairs. Management is of the opinion that the liability, if any, from these will not have a material adverse impact on the financial position of the Agency.

(b) Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Agency expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Agency. The Agency believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

(c) Operation of MacArthur Resource Recovery Facility

The MacArthur Resource Recovery Facility (the Facility) is operated by Convanta Holding Corporation (the Company) under an agreement that expires on March 10, 2030. The agreement may be extended for a period up to five years. Under the terms of the agreement, the Company receives a service fee. The service fee consists of base, ash management, and operating fees which are determined by the number of tons of municipal solid waste processed (\$2 per ton of municipal solid waste transferred through the station in any calendar year above 25,000 tons), plus 85% of the revenue from the sale of recovered materials, and 25% of the revenue from the sale of electricity up to a threshold amount (53,152,847 kWh in 2023 and 2022). The Company also receives 50% of the revenue from the sale of any additional electricity sold each year.

The Agency reimburses the Company for “pass-through costs” which consist of certain insurance costs, LIPA charges, fees, supplies, and expenses incurred in connection with Agency bonds, and Town and highway taxes.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Notes to Financial Statements, Continued

(10) Commitments and Contingencies, Continued

(c) Operation of MacArthur Resource Recovery Facility, Continued

Service fees incurred by the Agency under this agreement are reported under operating expenses as service fees in the statements of revenues, expenses and changes in net position. The Company retains their portion of electricity sales and remits the Agency's proportionate share on a monthly basis.

(11) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 15, 2023.

Statement No. 102 - Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Agency's Proportionate Share of the Net Pension Asset/Liability
Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension asset (liability)	0.0057465%	0.0059674%	0.0058556%	0.0056841%	0.0056988%	0.0058980%	0.0059651%	0.0063837%	0.0065912%
Agency's proportionate share of the net pension asset (liability)	\$(1,232,287)	487,809	(5,831)	(1,505,173)	(403,777)	(190,354)	(560,495)	(1,024,599)	(222,666)
Agency's covered payroll	\$ 1,818,980	1,802,442	1,813,549	1,661,954	1,698,879	1,763,743	1,640,246	1,687,646	1,730,543
Agency's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	67.75%	27.06%	0.32%	90.57%	23.77%	10.79%	34.17%	60.71%	12.87%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.40%	96.30%	98.20%	94.70%	90.70%	97.90%

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

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Agency's Pension Contributions
Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 228,162	198,779	276,745	228,526	240,336	263,214	244,650	292,721	311,371	322,507
Contributions in relation to the contractually required contribution	<u>228,162</u>	<u>198,779</u>	<u>276,745</u>	<u>228,526</u>	<u>240,336</u>	<u>263,214</u>	<u>244,650</u>	<u>292,721</u>	<u>311,371</u>	<u>322,507</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency's covered payroll	\$1,818,980	1,802,442	1,813,549	1,661,954	1,698,879	1,763,743	1,640,246	1,687,646	1,730,543	1,611,363
Contributions as a percentage of covered payroll	12.54%	11.03%	15.26%	13.75%	14.15%	14.92%	14.92%	17.34%	17.99%	20.01%

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Changes in the Agency's
Total OPEB Liability and Related Ratios
Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 291,460	732,900	703,395	558,556	386,620	381,530
Interest on total OPEB liability	476,790	420,367	415,234	440,043	514,928	480,914
Differences between expected and actual experience	(2,749,826)	-	2,044,633	(462,625)	(923,263)	-
Changes in assumptions or other inputs	525,490	(4,453,380)	(358,140)	1,644,377	3,279,118	(1,362,203)
Benefit payments	<u>(558,152)</u>	<u>(555,348)</u>	<u>(495,199)</u>	<u>(474,617)</u>	<u>(453,607)</u>	<u>(328,020)</u>
Net change in total OPEB liability	(2,014,238)	(3,855,461)	2,309,923	1,705,734	2,803,796	(827,779)
Total OPEB liability - beginning	<u>15,897,367</u>	<u>19,752,828</u>	<u>17,442,905</u>	<u>15,737,171</u>	<u>12,933,375</u>	<u>13,761,154</u>
Total OPEB liability - ending	<u>\$13,883,129</u>	<u>15,897,367</u>	<u>19,752,828</u>	<u>17,442,905</u>	<u>15,737,171</u>	<u>12,933,375</u>
Covered payroll	\$ 1,550,508	1,687,498	1,646,340	1,591,547	1,552,729	1,698,879
Total OPEB liability as a percentage of covered payroll	895.39%	942.07%	1199.80%	1095.97%	1013.52%	761.29%

Notes to schedule:

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

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

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
3.26%	3.72%	2.12%	2.12%	2.70%	4.10%

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

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Net Position
December 31, 2023

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Current assets:			
Cash and equivalents	\$ 103,639,106	7,014,739	110,653,845
Investments	2,973,868	-	2,973,868
Accounts receivable, net	1,065,130	-	1,065,130
Due from the Town of Islip	362,436	-	362,436
Due from other governments	34,885	-	34,885
Prepaid expenses	<u>112,427</u>	<u>241,351</u>	<u>353,778</u>
Total current assets	108,187,852	7,256,090	115,443,942
Noncurrent assets - capital assets, net	<u>2,024,293</u>	<u>1,448,864</u>	<u>3,473,157</u>
Total assets	<u>110,212,145</u>	<u>8,704,954</u>	<u>118,917,099</u>
Deferred outflows of resources:			
Pensions	315,779	611,690	927,469
OPEB	<u>695,791</u>	<u>1,868,268</u>	<u>2,564,059</u>
Total deferred outflows of resources	<u>1,011,570</u>	<u>2,479,958</u>	<u>3,491,528</u>
Current liabilities:			
Accounts payable and accrued expenses	2,527,791	85,620	2,613,411
Due to the Town of Islip	2,731,718	156,556	2,888,274
Due to other governments	271,457	-	271,457
Current portion of noncurrent liabilities	<u>379,026</u>	<u>20,522</u>	<u>399,548</u>
Total current liabilities	<u>5,909,992</u>	<u>262,698</u>	<u>6,172,690</u>
Noncurrent liabilities			
Landfill closure and post-closure obligation, less current portion	26,941,032	-	26,941,032
Compensated absences, less current portion	171,232	184,696	355,928
Net pension liability	418,978	813,309	1,232,287
Total OPEB liability	<u>3,752,299</u>	<u>10,130,830</u>	<u>13,883,129</u>
Total noncurrent liabilities	<u>31,283,541</u>	<u>11,128,835</u>	<u>42,412,376</u>
Total liabilities	<u>37,193,533</u>	<u>11,391,533</u>	<u>48,585,066</u>
Deferred inflows of resources:			
Pensions	21,374	41,491	62,865
OPEB	<u>1,765,772</u>	<u>3,962,963</u>	<u>5,728,735</u>
Total deferred inflows of resources	<u>1,787,146</u>	<u>4,004,454</u>	<u>5,791,600</u>
Net position (deficit):			
Net investment in capital assets	2,024,293	1,448,864	3,473,157
Restricted	2,500,000	-	2,500,000
Unrestricted	<u>67,718,743</u>	<u>(5,659,939)</u>	<u>62,058,804</u>
Total net position (deficit)	<u>\$ 72,243,036</u>	<u>(4,211,075)</u>	<u>68,031,961</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Net Position, Continued
December 31, 2022

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Current assets:			
Cash and equivalents	\$94,459,476	7,597,678	102,057,154
Investments	2,903,041	-	2,903,041
Accounts receivable, net	1,517,989	-	1,517,989
Due from the Town of Islip	238,609	-	238,609
Due from other governments	18,725	-	18,725
Prepaid expenses	<u>129,608</u>	<u>228,073</u>	<u>357,681</u>
Total current assets	<u>99,267,448</u>	<u>7,825,751</u>	<u>107,093,199</u>
Noncurrent assets:			
Net pension asset	165,855	321,954	487,809
Capital assets, net	<u>1,886,120</u>	<u>1,128,075</u>	<u>3,014,195</u>
Total noncurrent assets	<u>2,051,975</u>	<u>1,450,029</u>	<u>3,502,004</u>
Total assets	<u>101,319,423</u>	<u>9,275,780</u>	<u>110,595,203</u>
Deferred outflows of resources:			
Pensions	350,071	679,125	1,029,196
OPEB	<u>924,752</u>	<u>2,419,019</u>	<u>3,343,771</u>
Total deferred outflows of resources	<u>1,274,823</u>	<u>3,098,144</u>	<u>4,372,967</u>
Current liabilities:			
Accounts payable and accrued expenses	2,246,864	83,117	2,329,981
Due to the Town of Islip	1,732,083	169,194	1,901,277
Due to other governments	241,034	-	241,034
Current portion of noncurrent liabilities	<u>382,506</u>	<u>18,679</u>	<u>401,185</u>
Total current liabilities	<u>4,602,487</u>	<u>270,990</u>	<u>4,873,477</u>
Noncurrent liabilities			
Landfill closure and post-closure obligation, less current portion	27,200,128	-	27,200,128
Compensated absences	202,554	168,115	370,669
Total OPEB liability	<u>4,421,743</u>	<u>11,475,624</u>	<u>15,897,367</u>
Total noncurrent liabilities	<u>31,824,425</u>	<u>11,643,739</u>	<u>43,468,164</u>
Total liabilities	<u>36,426,912</u>	<u>11,914,729</u>	<u>48,341,641</u>
Deferred inflows of resources:			
Pensions	567,519	1,101,655	1,669,174
OPEB	<u>1,592,184</u>	<u>3,297,161</u>	<u>4,889,345</u>
Total deferred inflows of resources	<u>2,159,703</u>	<u>4,398,816</u>	<u>6,558,519</u>
Net position (deficit):			
Net investment in capital assets	1,886,120	1,128,075	3,014,195
Restricted	2,500,000	-	2,500,000
Unrestricted	<u>59,621,511</u>	<u>(5,067,696)</u>	<u>54,553,815</u>
Total net position (deficit)	<u>\$64,007,631</u>	<u>(3,939,621)</u>	<u>60,068,010</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Revenue, Expenses and
Changes in Net Position
Year ended December 31, 2023

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Operating revenue:			
Tipping fees	\$33,785,088	-	33,785,088
Collections	-	3,006,011	3,006,011
Sale of electricity	3,071,851	-	3,071,851
Recycling	191,623	-	191,623
Compost sales	159,742	-	159,742
Rent revenue	217,235	-	217,235
Ash disposal	311,654	-	311,654
Other revenue	<u>2,436,156</u>	<u>59,694</u>	<u>2,495,850</u>
Total operating revenue	<u>40,173,349</u>	<u>3,065,705</u>	<u>43,239,054</u>
Operating expenses:			
Administrative fees	11,372,198	-	11,372,198
Service fees	14,476,818	-	14,476,818
Ash treatment	3,479,185	-	3,479,185
Intermunicipal tipping fees	59,614	-	59,614
Depreciation	72,880	367,892	440,772
Landfill closure and post-closure costs	183,620	-	183,620
Personal services	639,684	1,283,141	1,922,825
Employee benefits	230,327	1,233,407	1,463,734
Contractual expenses	2,176,605	596,462	2,773,067
Professional fees	111,541	-	111,541
Rent and utilities	680,418	106,066	786,484
Miscellaneous	<u>2,541,631</u>	<u>-</u>	<u>2,541,631</u>
Total operating expenses	<u>36,024,521</u>	<u>3,586,968</u>	<u>39,611,489</u>
Operating income (loss)	4,148,828	(521,263)	3,627,565
Nonoperating revenue - investment income	<u>4,086,577</u>	<u>249,809</u>	<u>4,336,386</u>
Change in net position	8,235,405	(271,454)	7,963,951
Net position (deficit) at beginning of year	<u>64,007,631</u>	<u>(3,939,621)</u>	<u>60,068,010</u>
Net position (deficit) at end of year	<u>\$72,243,036</u>	<u>(4,211,075)</u>	<u>68,031,961</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Revenue, Expenses and
Changes in Net Position, Continued
Year ended December 31, 2022

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Operating revenue:			
Tipping fees	\$36,840,270	-	36,840,270
Collections	-	3,001,003	3,001,003
Sale of electricity	3,546,715	-	3,546,715
Recycling	188,805	-	188,805
Compost sales	151,466	-	151,466
Rent revenue	213,235	-	213,235
Ash disposal	307,820	-	307,820
Other revenue	<u>269,300</u>	<u>90,286</u>	<u>359,586</u>
Total operating revenue	<u>41,517,611</u>	<u>3,091,289</u>	<u>44,608,900</u>
Operating expenses:			
Administrative fees	10,943,581	-	10,943,581
Service fees	14,309,062	-	14,309,062
Ash treatment	3,290,829	-	3,290,829
Intermunicipal tipping fees	154,129	-	154,129
Depreciation	62,302	254,288	316,590
Personal services	700,872	1,193,403	1,894,275
Employee benefits	290,731	1,585,972	1,876,703
Contractual expenses	2,368,762	648,391	3,017,153
Professional fees	120,778	-	120,778
Rent and utilities	690,752	103,699	794,451
Miscellaneous	<u>2,716,742</u>	<u>-</u>	<u>2,716,742</u>
Total operating expenses	<u>35,648,540</u>	<u>3,785,753</u>	<u>39,434,293</u>
Operating income (loss)	<u>5,869,071</u>	<u>(694,464)</u>	<u>5,174,607</u>
Nonoperating revenue (expense):			
Investment income	635,846	42,077	677,923
Interest expense	<u>(15,296)</u>	<u>-</u>	<u>(15,296)</u>
Total nonoperating revenue	<u>620,550</u>	<u>42,077</u>	<u>662,627</u>
Change in net position	6,489,621	(652,387)	5,837,234
Net position (deficit) at beginning of year	<u>57,518,010</u>	<u>(3,287,234)</u>	<u>54,230,776</u>
Net position (deficit) at end of year	<u>\$64,007,631</u>	<u>(3,939,621)</u>	<u>60,068,010</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Cash Flows
Year ended December 31, 2023

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 40,486,221	3,065,705	43,551,926
Cash payments:			
Personal services and employee benefits	(1,101,120)	(2,483,926)	(3,585,046)
Goods and services	<u>(34,010,168)</u>	<u>(725,846)</u>	<u>(34,736,014)</u>
Net cash provided by (used in) operating activities	<u>5,374,933</u>	<u>(144,067)</u>	<u>5,230,866</u>
Cash flows from capital and related financing activities - acquisition and construction of capital assets	<u>(211,053)</u>	<u>(688,681)</u>	<u>(899,734)</u>
Cash flows from investing activities:			
Proceeds from sale or redemption of investments	(298,944)	-	(298,944)
Purchase of investments	228,117	-	228,117
Interest income	<u>4,086,577</u>	<u>249,809</u>	<u>4,336,386</u>
Net cash provided by investing activities	<u>4,015,750</u>	<u>249,809</u>	<u>4,265,559</u>
Net change in cash and equivalents	9,179,630	(582,939)	8,596,691
Cash and equivalents at beginning of year	<u>94,459,476</u>	<u>7,597,678</u>	<u>102,057,154</u>
Cash and equivalents at end of year	<u>\$ 103,639,106</u>	<u>7,014,739</u>	<u>110,653,845</u>

(Continued)

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Cash Flows, Continued
Year ended December 31, 2023

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 4,148,828	(521,263)	3,627,565
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	72,880	367,892	440,772
Change in allowance for doubtful accounts	(10,556)	-	(10,556)
Changes in:			
Accounts receivable	463,415	-	463,415
Due from the Town of Islip	(123,827)	-	(123,827)
Due from other governments	(16,160)	-	(16,160)
Prepaid expenses	17,181	(13,278)	3,903
Net pension asset	165,855	321,954	487,809
Deferred outflows of resources - pensions	34,292	67,435	101,727
Deferred outflows of resources - OPEB	228,961	550,751	779,712
Accounts payable and accrued expenses	280,927	2,503	283,430
Due to the Town of Islip	999,635	(12,638)	986,997
Due to other governments	30,423	-	30,423
Landfill closure and post-closure obligation	(259,096)	-	(259,096)
Compensated absences	(34,802)	18,424	(16,378)
Net pension liability	418,978	813,309	1,232,287
Total OPEB liability	(669,444)	(1,344,794)	(2,014,238)
Deferred inflows of resources - pensions	(546,145)	(1,060,164)	(1,606,309)
Deferred inflows of resource - OPEB	173,588	665,802	839,390
	<u>173,588</u>	<u>665,802</u>	<u>839,390</u>
Net cash provided by (used in) operating activities	<u>\$ 5,374,933</u>	<u>(144,067)</u>	<u>5,230,866</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Cash Flows, Continued
Year ended December 31, 2022

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$40,650,549	3,091,289	43,741,838
Cash payments:			
Personal services and employee benefits	(1,116,617)	(2,394,411)	(3,511,028)
Goods and services	<u>(33,488,268)</u>	<u>(664,321)</u>	<u>(34,152,589)</u>
Net cash provided by operating activities	<u>6,045,664</u>	<u>32,557</u>	<u>6,078,221</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(57,263)	(520,911)	(578,174)
Principal payments on revenue bonds	(1,280,000)	-	(1,280,000)
Interest payments on revenue bonds	<u>(30,592)</u>	<u>-</u>	<u>(30,592)</u>
Net cash used in capital and related financing activities	<u>(1,367,855)</u>	<u>(520,911)</u>	<u>(1,888,766)</u>
Cash flows from investing activities:			
Proceeds from sale or redemption of investments	2,270,314	-	2,270,314
Purchase of investments	(1,434,677)	-	(1,434,677)
Interest income	<u>635,846</u>	<u>42,077</u>	<u>677,923</u>
Net cash provided by investing activities	<u>1,471,483</u>	<u>42,077</u>	<u>1,513,560</u>
Net change in cash and equivalents	6,149,292	(446,277)	5,703,015
Cash and equivalents at beginning of year	<u>88,310,184</u>	<u>8,043,955</u>	<u>96,354,139</u>
Cash and equivalents at end of year	<u>\$94,459,476</u>	<u>7,597,678</u>	<u>102,057,154</u>

(Continued)

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Cash Flows, Continued
Year ended December 31, 2022

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 5,869,071	(694,464)	5,174,607
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	62,302	254,288	316,590
Change in allowance for doubtful accounts	12,803	-	12,803
Changes in:			
Accounts receivable	(865,960)	-	(865,960)
Due from the Town of Islip	(7,787)	-	(7,787)
Due from other governments	(5,398)	-	(5,398)
Prepaid expenses	(13,460)	12,683	(777)
Net pension asset	(165,855)	(321,954)	(487,809)
Deferred outflows of resources - pensions	119,554	231,062	350,616
Deferred outflows of resources - OPEB	361,901	825,578	1,187,479
Accounts payable and accrued expenses	529,629	17,757	547,386
Due to the Town of Islip	1,046,078	57,234	1,103,312
Due to other governments	318	-	318
Landfill closure and post-closure obligation	(456,367)	-	(456,367)
Compensated absences	(33,280)	(45,200)	(78,480)
Net pension liability	(1,983)	(3,848)	(5,831)
Total OPEB liability	(1,037,778)	(2,817,683)	(3,855,461)
Deferred inflows of resources - pensions	(14,304)	(27,767)	(42,071)
Deferred inflows of resource - OPEB	646,900	2,544,871	3,191,771
	<u>646,900</u>	<u>2,544,871</u>	<u>3,191,771</u>
Net cash provided by operating activities	<u>\$ 6,046,384</u>	<u>32,557</u>	<u>6,078,941</u>

**INDEPENDENT AUDITORS' 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**

Board of Directors
Islip Resource Recovery Agency
Islip, 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 Islip Resource Recovery Agency (the Agency), a component unit of the Town of Islip, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 21, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 21, 2024

INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT COMPLIANCE
WITH SECTION 201.3 OF TITLE TWO OF THE OFFICIAL COMPILATION OF
CODES, RULES AND REGULATIONS OF THE STATE OF NEW YORK

The Board of Directors
Islip Resource Recovery Agency
Islip, New York:

We have examined the Islip Resource Recovery Agency's (the Agency), a component unit of the Town of Islip, New York, compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York (Section 201.3) during the year ended December 31, 2023. Management is responsible for the Agency's compliance with Section 201.3. Our responsibility is to express an opinion on the Agency's compliance with Section 201.3 based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about the Agency's compliance with Section 201.3. An examination involves performing procedures to obtain evidence about the Agency's compliance with Section 201.3. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Agency's compliance with Section 201.3, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Agency complied in all material respects with Section 201.3 during the year ended December 31, 2023.

In accordance with Government Auditing Standards, we are required to report significant deficiencies in internal control, violations of provisions of laws, regulations, contracts, or grant agreements, and abuse that are material to the Agency's compliance with Section 201.3 and any fraud or illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain views of management on those matters. We performed our examination to express an opinion on the Agency's compliance with Section 201.3 and not for the purpose of expressing an opinion on internal control over compliance with Section 201.3 or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of Agency management, the Board of Directors, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended and should not be used by anyone other than those specified parties.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 21, 2024