

**Islip Resource Recovery Agency**

(A Component Unit of the Town of Islip)

Financial Report

December 31, 2019 and 2018

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Financial Report

December 31, 2019 and 2018

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## **Independent Auditor's Report**

Board of Directors  
Islip Resource Recovery Agency  
Islip, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Islip Resource Recovery Agency (Agency), a component unit of the Town of Islip, as of for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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, 2019 and 2019, 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.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 9 and the Required Supplementary Information on pages 35 to 37 as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining fund statements of net position, combining fund statements of revenue, expenses, and changes in net position, and combining fund statements of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements of net position, combining fund statements of revenue, expenses, and changes in net position, and combining fund statements of cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements of net position, combining fund statements of revenue, expenses, and changes in net position, and combining fund statements of cash flows, are 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 23, 2020, 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 the Agency's internal control over financial reporting and compliance.

Albany, New York  
March 23, 2020

BST & CO. CPAs, LLP



# **Islip Resource Recovery Agency**

(A Component Unit of the Town of Islip)

## **Management's Discussion and Analysis December 31, 2019 and 2018**

Our discussion and analysis of the Islip Resource Recovery Agency's (Agency) financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2019, 2018, and 2017. Please read this discussion and analysis along with the basic financial statements and the accompanying notes to the 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 the 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 fiscal 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 four categories: operating, investing, non-capital and related financing and capital and related financing. The accompanying notes to the 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 (5) 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 (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 (2) closed landfills, one (1) cleanfill landfill, one (1) multi-purpose recycling facility, one (1) waste to energy facility, and one (1) 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 December 31, 2019 and 2018

### Summary of Organization and Business - Continued

#### Condensed Statements of Net Position

	December 31,		
	2019	2018	2017
<b>ASSETS</b>			
Current assets	\$ 99,190,648	\$ 93,537,385	\$ 87,604,848
Capital assets, net	2,725,728	3,127,113	3,641,383
Long-term receivables	-	-	24,966
Total assets	<u>101,916,376</u>	<u>96,664,498</u>	<u>91,271,197</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,300,235</u>	<u>746,628</u>	<u>597,049</u>
Total assets and deferred outflows of resources	<u>105,216,611</u>	<u>97,411,126</u>	<u>91,868,246</u>
<b>LIABILITIES</b>			
Current liabilities	10,568,470	4,619,001	4,363,191
Long-term liabilities	47,484,824	51,988,103	54,618,245
Total liabilities	<u>58,053,294</u>	<u>56,607,104</u>	<u>58,981,436</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	<u>2,043,393</u>	<u>1,917,536</u>	<u>335,631</u>
<b>NET POSITION</b>	<u>\$ 45,119,924</u>	<u>\$ 38,886,486</u>	<u>\$ 32,551,179</u>

#### Condensed Statements of Revenue, Expenses, and Changes in Net Position

	December 31,		
	2019	2018	2017
Operating revenue	\$ 40,703,147	\$ 40,822,943	\$ 39,563,675
Operating expenses	<u>36,039,311</u>	<u>35,619,311</u>	<u>37,457,972</u>
Operating income	4,663,836	5,203,632	2,105,703
Nonoperating revenue, net	<u>1,569,602</u>	<u>1,131,675</u>	<u>384,162</u>
Change in net position	6,233,438	6,335,307	2,489,865
Net position, beginning of year	<u>38,886,486</u>	<u>32,551,179</u>	<u>39,328,861</u>
Net position, end of year, as originally stated	45,119,924	38,886,486	41,818,726
Adoption of GASB 75	<u>-</u>	<u>-</u>	<u>(9,267,547)</u>
Net position, end of year, as restated	<u>\$ 45,119,924</u>	<u>\$ 38,886,486</u>	<u>\$ 32,551,179</u>

#### Debt Administration

At December 31, 2019 and 2018, the Agency had \$3,745,000 and \$4,935,000, respectively, in bonds, outstanding. Total interest payments on the Agency's bonds were \$117,947 and \$145,671 for the years ended December 31, 2019 and 2018, respectively.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Management's Discussion and Analysis December 31, 2019 and 2018

### Summary of Organization and Business - 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 2021.

The Agency will begin the partial capping and closure of the construction & demolition (C&D) portion of the Cleanfill Landfill during 2020. This partial closing is estimated to cost \$6,000,000.

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.

### Other Selected Information

	December 31,		
	2019	2018	2017
Collection unit			
Dwelling units	8,674	8,663	8,665
Collection fees	<u>\$ 3,022,752</u>	<u>\$ 2,995,743</u>	<u>\$ 2,991,528</u>
MacArthur Resource Recovery Facility (MRRF) Operations			
Billable tons	174,920	171,410	161,998
Tipping fees	<u>\$ 33,339,766</u>	<u>\$ 32,633,317</u>	<u>\$ 3,101,366</u>
Kilowatt Hours (kWh) produced	50,385,557	55,733,950	55,855,619
Electricity sales	<u>\$ 3,024,506</u>	<u>\$ 3,131,267</u>	<u>\$ 3,466,132</u>
Compost, sales revenue	<u>\$ 257,318</u>	<u>\$ 200,997</u>	<u>\$ 293,793</u>
Sayville, recycling fees	<u>\$ 187,039</u>	<u>\$ 575,385</u>	<u>\$ 647,701</u>

#### 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 2019 was 50,385,557. This resulted in a deficit of 2,767,290 kWh as compared to the warranty. This deficit calculates to \$23,101 in warranty provision revenue, which was owed by the operator according to the electricity sales warranty

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Management's Discussion and Analysis December 31, 2019 and 2018

### Summary of Organization and Business - Continued

The total kWh produced for 2018 was 55,733,950. This generated a surplus of 2,581,103 kWh. This excess calculates to \$49,095 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 2019, the total of ash generated was 55,484 tons, which was 9,215 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 \$202,609.

During 2018, the total of ash generated was 57,604 tons, which was 8,973 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 \$202,506.

#### Collection Unit

The Agency continues to maintain and provide solid waste collection services to approximately 9,000 homes within the Town's consolidated refuse and collection district. During 2019, 2018 and 2017, the Agency's collection unit continues to service seven contract bid areas on behalf of the Town's consolidated refuse and garbage district.

#### Financial Condition

The Agency's financial condition remained strong at year-end with sufficient cash and cash 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:

	December 31,		
	2019	2018	2017
Current assets	<u>\$ 99,190,648</u>	<u>\$ 93,537,385</u>	<u>\$ 87,604,848</u>
Capital assets	<u>\$ 2,725,728</u>	<u>\$ 3,127,113</u>	<u>\$ 3,641,383</u>
Net position	<u>\$ 45,119,924</u>	<u>\$ 38,886,486</u>	<u>\$ 32,551,179</u>

#### Capital Assets

At December 31, 2019, the Agency had capital assets of \$2,725,728, as compared to \$3,127,113 at December 31, 2018. The net decrease from 2018 in the amount of \$401,385 is attributed to depreciation expense of \$525,026, offset by capital asset additions of \$123,641.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Management's Discussion and Analysis December 31, 2019 and 2018

### Results of Operations

#### Revenue

Operating revenue falls into various categories, with the three (3) 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.

	Years Ended December 31,		
	2019	2018	2017
Tipping fees	\$ 33,339,766	\$ 32,633,317	\$ 31,101,366
Collections	3,022,752	2,995,743	2,991,528
Sale of electricity	3,024,506	3,131,267	3,466,132
Ancillary revenue	<u>1,316,123</u>	<u>2,062,616</u>	<u>2,004,649</u>
Total operating revenue	<u>\$ 40,703,147</u>	<u>\$ 40,822,943</u>	<u>\$ 39,563,675</u>

Total operating revenues for the year ended December 31, 2019 decreased by approximately \$119 thousand, or 0.4% from 2018. This decrease was related primarily to decreases in grant revenues, recycling fees and electricity sales which were offset by increases in tipping fees and rental revenues.

Total operating revenues for the year ended December 31, 2018 increased approximately \$1.2 million from the prior year. Improvements in tipping fees were offset by declines in electricity sales.

#### 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 2019 total operating expenses increased by approximately \$420 thousand. This increase was related primarily to increases in administrative fees, service fees, employee benefits and contractual expenses which were offset by decreases in landfill closure and post-closure costs and miscellaneous expenses.

In 2018, there was a decrease in total expenses mostly because of a reduction in depreciation expense. During 2017, the MRRF became fully depreciated.

#### Cash Flows Activity

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

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Management's Discussion and Analysis December 31, 2019 and 2018

### Cash Flows Activity - Continued

	Years Ended December 31,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total operating revenue	<u>\$ 40,703,147</u>	<u>\$ 40,822,943</u>	<u>\$ 39,563,675</u>
Net cash provided by operating activities	<u>\$ 5,772,518</u>	<u>\$ 6,210,176</u>	<u>\$ 5,925,467</u>

### Capital Assets and Long-Term Debt

The investment in capital assets to date approximates \$95,778,000, 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.

The Agency is currently evaluating the impact of COVID-19 on its 2020 operations, including changes in residential, commercial and construction and demolition waste volume. Management believes the Agency's financial condition to be strong, and therefore capable of enduring any temporary adverse impacts from COVID-19.

### 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

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 94,956,001	\$ 81,318,972
Investments	2,896,623	10,611,033
Accounts receivable, net	874,843	1,071,186
Due from the Town of Islip	186,951	246,090
Due from other governments	13,200	14,141
Prepaid expenses	263,030	275,963
Total current assets	<u>99,190,648</u>	<u>93,537,385</u>
Non-current assets		
Capital assets, net	<u>2,725,728</u>	<u>3,127,113</u>
	<u>3,300,235</u>	<u>746,628</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u>3,300,235</u>	<u>746,628</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	1,894,341	1,878,735
Accrued interest on bonds	44,753	58,973
Due to the Town of Islip	1,097,150	828,040
Due to other governments	259,826	269,253
Current portion of non-current liabilities	<u>7,272,400</u>	<u>1,584,000</u>
Total current liabilities	<u>10,568,470</u>	<u>4,619,001</u>
Non-current liabilities		
Landfill closure and post-closure obligation, less current portion	28,466,334	34,816,428
Long-term debt, less current portion	2,530,000	3,745,000
Compensated absences	347,542	302,946
Net pension liability	403,777	190,354
Other postemployment benefits liability	<u>15,737,171</u>	<u>12,933,375</u>
Total non-current liabilities	<u>47,484,824</u>	<u>51,988,103</u>
Total liabilities	<u>58,053,294</u>	<u>56,607,104</u>
	<u>2,043,393</u>	<u>1,917,536</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	<u>2,043,393</u>	<u>1,917,536</u>
<b>NET POSITION</b>		
Net investment in capital assets	245,500	(637,401)
Restricted	2,500,000	2,500,000
Unrestricted	<u>42,374,424</u>	<u>37,023,887</u>
	<u>\$ 45,119,924</u>	<u>\$ 38,886,486</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,	
	2019	2018
<b>OPERATING REVENUE</b>		
Tipping fees	\$ 33,339,766	\$ 32,633,317
Collections	3,022,752	2,995,743
Sale of electricity	3,024,506	3,131,267
Recycling	187,039	575,385
Compost sales	257,318	200,997
Rent revenue	211,135	84,500
Operating grants	18,269	600,479
Ash disposal	290,483	322,817
Other revenue	351,879	278,438
Total operating revenue	<u>40,703,147</u>	<u>40,822,943</u>
<b>OPERATING EXPENSES</b>		
Administrative fees	9,872,935	9,600,039
Service fees	13,192,548	12,839,408
Ash treatment	3,210,243	3,280,251
Intermunicipal tipping fees	143,408	172,744
Depreciation	525,026	618,898
Landfill closure and post-closure costs	(166,807)	341,399
Personal services	1,792,121	1,714,652
Employee benefits	2,167,327	1,733,252
Contractual expenses	3,697,288	3,443,410
Professional fees	65,424	75,987
Rent and utilities	783,315	784,240
Miscellaneous	756,483	1,015,031
Total operating expenses	<u>36,039,311</u>	<u>35,619,311</u>
<b>Operating income</b>	<u><b>4,663,836</b></u>	<u><b>5,203,632</b></u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Investment income	1,581,688	1,171,844
Interest expense	(12,086)	(40,169)
Total nonoperating revenue	<u>1,569,602</u>	<u>1,131,675</u>
<b>CHANGE IN NET POSITION</b>	<b>6,233,438</b>	<b>6,335,307</b>
<b>NET POSITION, <i>beginning of year</i></b>	<u>38,886,486</u>	<u>32,551,179</u>
<b>NET POSITION, <i>end of year</i></b>	<u><b>\$ 45,119,924</b></u>	<u><b>\$ 38,886,486</b></u>

See accompanying Notes to Financial Statements.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Statements of Cash Flows

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 40,959,570	\$ 40,908,458
Cash payments		
Personal services and employee benefits	(3,228,743)	(3,183,478)
Goods and services	(31,958,309)	(31,514,804)
	<u>5,772,518</u>	<u>6,210,176</u>
<b>CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(123,641)	(104,628)
Principal payments on revenue bonds payable	(1,190,000)	(1,160,000)
Interest payments on revenue bonds payable	(117,946)	(145,671)
	<u>(1,431,587)</u>	<u>(1,410,299)</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Proceeds from sale or redemption of investments	29,968,651	30,997,404
Purchase of investments	(22,254,241)	(40,516,560)
Investment income	1,581,688	1,171,844
	<u>9,296,098</u>	<u>(8,347,312)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>13,637,029</b>	<b>(3,547,435)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<u>81,318,972</u>	<u>84,866,407</u>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<u><b>\$ 94,956,001</b></u>	<u><b>\$ 81,318,972</b></u>

See accompanying Notes to Financial Statements.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Statements of Cash Flows - Continued

	Years Ended December 31,	
	2019	2018
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 4,663,836	\$ 5,203,632
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	525,026	618,898
Changes in		
Accounts receivable	196,343	138,135
Due from other governments	941	(4,629)
Due from the Town of Islip	59,139	(47,991)
Prepaid expenses	12,933	(21,365)
Accounts payable and accrued expenses	15,606	41,412
Due to other governments	(9,427)	(7,834)
Due to the Town of Islip	269,110	172,094
Landfill closure and post-closure obligation	(691,694)	(146,602)
Compensated absences	49,596	(61,620)
Net pension liability	213,423	(370,141)
Deferred outflows of resources, pensions	308,164	(149,579)
Deferred inflows of resources, pensions	(469,895)	512,932
Other postemployment benefits liability	2,803,796	(827,779)
Deferred outflows of resources, OPEB	(2,861,771)	-
Deferred inflows of resources, OPEB	687,392	1,160,613
	<u>\$ 5,772,518</u>	<u>\$ 6,210,176</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, 2019 and 2018

## **Note 1 - Organization and Summary of Significant Accounting Policies**

### *a. Organization*

The Islip Resource Recovery Agency (Agency) was authorized by the New York State Legislature and established by a referendum approved by a majority of the Town of Islip's voters in 1982 as a body corporate and politic constituting a public benefit corporation and a public authority of the State of New York pursuant to the Islip Resource Recovery Agency Act (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 of Islip and is considered a component unit of the Town of Islip (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 (U.S. 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 1a. 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 December 31, 2019 and 2018

### Note 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.”

Revenues are 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 U.S. 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, Cash Equivalents and Investments*

Cash and cash 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 December 31, 2019 and 2018

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *f. Cash, 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 \$64,378 and \$74,698 for the years ended December 31, 2019 and 2018, 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>
Machinery and equipment; and furniture and fixtures	4 - 10 years
Buildings and site improvements	5 - 40 years
MacArthur Resource Recovery Facility	25 years

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 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, 2019 and 2018.

#### *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 \$34,484,734 and \$35,176,428 as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 95.18% and 95.21% of capacity for 2019 and 2018, respectively. The amount recognized for the cleanfill landfill, Phase II, is based on the usage of 96.97% and 98.84% of the capacity for 2019 and 2018, respectively. It is estimated that an additional \$589,666 for Phase I and \$530,101 for Phase II will be recognized as closure and post-closure care expenses between January 1, 2020 and 2021, 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 December 31, 2019 and 2018

### Note 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 Retirement System (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 liability, along with deferred outflows and inflows of resources are reported in the statement 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. 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 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.

During 2014, the Agency refunded bonds that resulted in a gain of \$549,839, which is being reported as a deferred inflow of resources in the financial statements. This deferred inflow is being amortized into interest expense on the straight-line basis through 2020. Amortization was \$91,640 for each of the years ended December 31, 2019 and 2018. The unamortized balance at December 31, 2019 and 2018 was \$45,820 and \$137,460, respectively.

The Agency also reports pension related deferred outflows of resources and deferred inflows of resources as described in Note 7; and other postemployment benefits (OPEB) related deferred outflows of resources as described in Note 8.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 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, 2019 and 2018:

	December 31,	
	2019	2018
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferrals	\$ 438,464	\$ 746,628
OPEB related deferrals	2,861,771	-
Total deferred outflows	<u>\$ 3,300,235</u>	<u>\$ 746,628</u>
	December 31,	
	2019	2018
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferrals	\$ 149,568	\$ 619,463
OPEB related deferrals	1,848,005	1,160,613
Deferred gain on refinancing	45,820	137,460
Total deferred inflows of resources	<u>\$ 2,043,393</u>	<u>\$ 1,917,536</u>

#### *o. Net Position*

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

##### Debt Service Reserve

The bond indenture requires the Agency to maintain a reserve to fund future bond principal and interest payments. This requirement is equal to the maximum aggregate debt service on all series of bonds issued and outstanding under the indenture for a particular project in the current or any succeeding bond year. At December 31, 2019 and 2018, the minimum amount required was \$1,310,592. The Agency's debt service reserve was funded using bond proceeds and is therefore, excluded from restricted net position.

##### 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 fund balance for the purposes of the capital reserve.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*o. Net Position - Continued*

Capital Reserve - Continued

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

	December 31, 2019		
	Agency	Collection	Total
Capital Assets	\$ 1,939,213	\$ 786,515	\$ 2,725,728
Bonds outstanding	(3,745,000)	-	(3,745,000)
Deferred Gain on Refunding	(45,820)	-	(45,820)
Debt service reserve fund	1,310,592	-	1,310,592
Net investment in capital assets	<u>\$ (541,015)</u>	<u>\$ 786,515</u>	<u>\$ 245,500</u>

	December 31, 2018		
	Agency	Collection	Total
Capital Assets	\$ 1,966,336	\$ 1,160,777	\$ 3,127,113
Bonds outstanding	(4,935,000)	-	(4,935,000)
Deferred Gain on Refunding	(137,460)	-	(137,460)
Debt service reserve fund	1,307,946	-	1,307,946
Net investment in capital assets	<u>\$ (1,798,178)</u>	<u>\$ 1,160,777</u>	<u>\$ (637,401)</u>

Landfill Capping Reserve

During 2019 the Town Board created a reserve of \$5,000,000 for the partial capping and closure of the construction and demolition portion of the Blydenburgh Cleanfill Landfill during 2020.

*p. Subsequent Events*

The Agency has evaluated subsequent events for potential recognition or disclosure through March 23, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus during 2020, the Agency has subsequently experienced increased residential waste volume and decreased construction/demolition and commercial waste volume. The net financial impact of these fluctuations is currently unknown. Other financial impacts could occur though such potential impacts are unknown at this time.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 2 - Cash, Equivalents, and Investments

#### a. Cash and Cash 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 \$87,070,611 and \$81,250,372 as of December 31, 2019 and 2018, respectively. The Agency's other cash and cash equivalents consist of deposit accounts.

#### b. Investments

Following are the components of the Agency's investments:

	December 31,	
	2019	2018
U.S. Treasury Bills	\$ -	\$ 8,669,357
Money market funds	2,896,873	1,941,676
	<u>\$ 2,896,873</u>	<u>\$ 10,611,033</u>

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, 2019.

The Agency's investment in U.S. Treasury Bills matured in June 2019. The Agency manages interest rate risk by holding U.S. Treasury Bills to maturity.

#### 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.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 2 - Cash, Equivalents, and Investments - Continued

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.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2019 and 2018:

*Money Market Funds:* Valued based on quoted market prices in active markets.

*U.S. Treasury Bills:* Valued based on observable prices for the particular security, or when prices are not observable, the valuation is based on prices of comparable securities or the present value of expected future cash flows.

The Agency considered investments in money market funds to be Level 1, and investments in U.S. Treasury Bills to be Level 2.

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.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 3 - Accounts Receivable, Due From/To Town of Islip and Other Governments

Accounts receivable and amounts due from other governments in the Agency are as follows:

	December 31,	
	2019	2018
Due from the Town of Islip		
Tipping fees	\$ 4,499	\$ 143,301
Clean air act reimbursement	182,452	102,789
	\$ 186,951	\$ 246,090
Due from towns and villages - tipping fees	\$ 13,200	\$ 14,141
Accounts receivable, net		
Tipping fees	\$ 307,179	\$ 269,256
Recyclable sales	7,387	126,000
Electricity sales	557,095	710,001
Other	67,560	40,627
	939,221	1,145,884
Less allowance for doubtful accounts	(64,378)	(74,698)
	\$ 874,843	\$ 1,071,186

Amounts due to other governments consist of the following:

	December 31, 2019		
	Agency Fund	Collection Unit Fund	Total
Due to the Town of Islip			
Fuel reimbursement	\$ 7,246	\$ 24,044	\$ 31,290
General liability insurance	8,200	45,800	54,000
Workers compensation	42,299	76,152	118,451
Administrative overhead	893,409	-	893,409
Total	\$ 951,154	\$ 145,996	\$ 1,097,150
Due to other governments			
Town of Brookhaven - ash disposal	\$ 259,826	\$ -	\$ 259,826

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 3 - Accounts Receivable, Due From/To Town of Islip and Other Governments - Continued

	December 31, 2018		
	Agency Fund	Collection Unit Fund	Total
Due to the Town of Islip			
Fuel reimbursement	\$ 4,915	\$ 11,425	\$ 16,340
General liability insurance	10,000	50,800	60,800
Workers compensation	37,110	78,355	115,465
Administrative overhead	635,435	-	635,435
Total	\$ 687,460	\$ 140,580	\$ 828,040
Due to other governments			
Town of Brookhaven - ash disposal	\$ 269,253	\$ -	\$ 269,253

### Note 4 - Capital Assets

Activity for capital assets is summarized as follows:

	December 31, 2018	Additions	Dispositions	December 31, 2019
Depreciable assets				
MacArthur Resource Recovery Facility	\$ 83,501,045	\$ -	\$ -	\$ 83,501,045
Buildings and site improvements	3,382,572	-	-	3,382,572
Machinery and equipment	8,671,455	118,967	(70,009)	8,720,413
Furniture and fixtures	171,430	4,673	(2,078)	174,025
	95,726,502	123,640	(72,087)	95,778,055
Accumulated depreciation	(94,197,210)	(525,025)	72,087	(94,650,148)
Total depreciable assets, net	1,529,292	(401,385)	-	1,127,907
Non-depreciable assets				
Land	1,597,821	-	-	1,597,821
Total	\$ 3,127,113	\$ (401,385)	\$ -	\$ 2,725,728
	December 31, 2017	Additions	Dispositions	December 31, 2018
Depreciable assets				
MacArthur Resource Recovery Facility	\$ 83,501,045	\$ -	\$ -	\$ 83,501,045
Buildings and site improvements	3,382,572	-	-	3,382,572
Machinery and equipment	8,569,942	101,513	-	8,671,455
Furniture and fixtures	168,660	3,115	(345)	171,430
	95,622,219	104,628	(345)	95,726,502
Accumulated depreciation	(93,578,657)	(618,898)	345	(94,197,210)
Total depreciable assets, net	2,043,562	(514,270)	-	1,529,292
Non-depreciable assets				
Land	1,597,821	-	-	1,597,821
Total	\$ 3,641,383	\$ (514,270)	\$ -	\$ 3,127,113

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 5 - Long-Term Liabilities

The following tables summarize the Agency's long-term liabilities for the years ended December 31, 2019 and 2018.

	January 1, 2019	Additions	Deletions	December 31 2019	Due Within One Year
Bonds payable	\$ 4,935,000	\$ -	\$ (1,190,000)	\$ 3,745,000	\$ 1,215,000
Compensated absences	336,946	55,004	(5,408)	386,542	39,000
Net pension liability	190,354	269,429	(56,006)	403,777	-
Other postemployment benefits	12,933,375	4,180,666	(1,376,870)	15,737,171	-
Landfill closure and post-closure costs	35,176,428	137,204	(828,898)	34,484,734	6,018,400
<b>Total</b>	<b><u>\$ 53,572,103</u></b>	<b><u>\$ 4,642,303</u></b>	<b><u>\$ (3,457,182)</u></b>	<b><u>\$ 54,757,224</u></b>	<b><u>\$ 7,272,400</u></b>

  

	January 1, 2018	Additions	Deletions	December 31 2018	Due Within One Year
Bonds payable	\$ 6,095,000	\$ -	\$ (1,160,000)	\$ 4,935,000	\$ 1,190,000
Compensated absences	398,566	22,730	(84,350)	336,946	34,000
Net pension liability	560,495	233,548	(603,689)	190,354	-
Other postemployment benefits	13,761,154	862,454	(1,690,233)	12,933,375	-
Landfill closure and post-closure costs	35,323,030	341,399	(488,001)	35,176,428	360,000
<b>Total</b>	<b><u>\$ 56,138,245</u></b>	<b><u>\$ 1,460,131</u></b>	<b><u>\$ (4,026,273)</u></b>	<b><u>\$ 53,572,103</u></b>	<b><u>\$ 1,584,000</u></b>

### Note 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 2.390% to refund \$10,690,000 in Series E 2004 bonds. Annual principal payments are required through 2022.

The Agency's constitutional debt limit at December 31, 2019 and 2018, 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.

A summary of the Agency's debt service requirements for bonds payable are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2020	1,215,000	89,505	1,304,505
2021	1,250,000	60,466	1,310,466
2022	1,280,000	30,592	1,310,592
	<b><u>\$ 3,745,000</u></b>	<b><u>\$ 180,563</u></b>	<b><u>\$ 3,925,563</u></b>

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 7 - New York State Retirement System

#### *Plan Description and Benefits Provided*

The Agency participates in the New York State and Local Employees' Retirement System (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/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

#### *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. The Agency's contributions for the current year and two preceding years were equal to 100 percent of the required contributions, and were as follows:

2019	\$	240,336
2018		263,217
2017		244,650

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

At December 31, 2019 and 2018, the Agency reported liabilities of \$403,777 and \$190,354 for its proportionate share of the net pension liability, respectively. The net pension liabilities were measured as of March 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019 and 2018, the Agency's proportion was 0.0056988% and 0.0058980%, respectively.

For the years ended December 31, 2019 and 2018, the Agency recognized pension expense of \$269,429 and \$233,547, respectively.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 7 - New York State Retirement System - Continued

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

At December 31, 2019 and 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,511	\$ 27,105	\$ 67,893	\$ 56,104
Changes of assumptions	101,494	-	126,221	-
Net differences between projected and actual investment earnings on pension plan investments	-	103,632	276,474	545,733
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,721	18,831	35,704	17,626
Agency contributions subsequent to the measurement date	217,738	-	240,336	-
Total	<u>\$ 438,464</u>	<u>\$ 149,568</u>	<u>\$ 746,628</u>	<u>\$ 619,463</u>

Agency contributions subsequent to the measurement date are recognized 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,	
2020	\$ 90,788
2021	(74,399)
2022	(903)
2023	<u>55,672</u>
Total	<u>\$ 71,158</u>

### *Actuarial Assumptions*

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

	March 31,	
	2019	2018
Investment rate of return (net of investment expense, including inflation)	7.00%	7.00%
Salary scale	3.80%	3.80%
Cost of living adjustments	1.30%	1.30%
Inflation	2.50%	2.50%

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 7 - New York State Retirement System - Continued

#### *Actuarial Assumptions - Continued*

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed bonds	4.00%	1.25%
	100.0%	

#### *Discount Rate*

The discount rate used to calculate the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Agency's proportionate share of the net pension liability at December 31, 2019 and 2018 calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 7 - New York State Retirement System - Continued

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

	December 31, 2019		
	1% Decrease (6.0%)	Discount (7.0%)	1% Increase (8.0%)
Agency's proportionate share of the net pension liability (asset)	\$ 1,765,378	\$ 403,777	\$ (740,064)
	December 31, 2018		
	1% Decrease (6.0%)	Discount (7.0%)	1% Increase (8.0%)
Agency's proportionate share of the net pension liability (asset)	\$ 1,440,271	\$ 190,354	\$ (867,025)

*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):

	2019	2018
Employers' total pension liability	\$ 189,803,429	\$ 183,400,590
Plan net position	(182,718,124)	(180,173,145)
Employers' net pension liability	\$ 7,085,305	\$ 3,227,445
Ratio of plan net position to the employers' total pension liability	96.3%	98.2%

### Note 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.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 8 - Other Postemployment Benefits (OPEB) - Continued

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, 2019 is as follows:

	Actives	Inactives Not Receiving Benefits	Inactives Receiving Benefits	Total Census
Female	6	-	3	9
Male	21	-	17	38
Total	27	-	20	47

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, 2019 and 2018, the Agency paid \$453,607 and \$328,020, 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.

#### *OPEB Liabilities, OPEB Expense, and Deferred Inflows of Resources Related to OPEB*

At December 31, 2019 and 2018, the Agency reported a liability of \$15,737,171 and \$12,933,375 for its OPEB liability, respectively. The OPEB liability was measured as of January 1, 2019 by an actuarial valuation as of that date. For the years ended December 31, 2019 and 2018, the Agency recognized OPEB expense of \$1,180,056 and \$660,854, respectively. At December 31, 2019 and 2018, the Agency reported deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resource	Deferred Outflows of Resources	Deferred Inflows of Resource
Change in assumptions and other inputs	\$ 2,861,771	\$ 1,848,005	\$ -	\$ 1,160,613

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 8 - Other Postemployment Benefits (OPEB) - Continued

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

Year ending December 31,	
2020	\$ 181,476
2021	181,476
2022	181,476
2023	181,476
2024	230,403
Thereafter	<u>57,459</u>
	<u><u>\$ 1,013,766</u></u>

*Actuarial Assumptions.* The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	Factor
Discount Rate	4.10% - January 1st; 2.74% December 31st
Measurement Date	January 1, 2019
Payroll Growth	2.50%
Mortality	Utilized rates developed in the report, "New York State/SUNY GASB 45 Valuation Development of Recommended Actuarial Assumptions - Participating Agency Verson" prepared in September 2016. Based on the experienced under the New York State and Local Retirement System and the New York State Teachers' Retirement System projected generationally using the MP-2016 Projection Scale.
Termination Rates	Crocker-Sarason T-6 withdrawal table
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:

Year	Non Medicare	Medicare Part B
2019	8.00%	5.00%
2020	7.50%	5.00%
2021	7.00%	5.00%
2022	6.50%	5.00%
2023	6.00%	5.00%
2024	5.50%	5.00%
2025+	5.00%	5.00%

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 8 - Other Postemployment Benefits (OPEB) - Continued

The discount rate used to measure the liability was 2.74% based on the Bond Buyer 20-year general obligation bond index.

#### *Schedule of Changes in Net OPEB Liability*

Balance at January 1, 2019	\$ 12,933,375
<i>Changes for the year</i>	
Service cost	386,620
Interest	514,928
Differences between expected and actual experience	(923,263)
Changes in assumptions and other inputs	3,279,118
Benefit payments	(453,607)
Net changes	2,803,796
 Balance at December 31, 2018	 \$ 15,737,171

#### *Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate and Discount Rate*

The following presents the OPEB Liability of the plan as of December 31, 2019 using current health care cost trend rates as well as what the 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% Decrease	Current Healthcare Trend Rates	1% Increase
Total OPEB Liability	\$ 13,229,791	\$ 15,737,171	\$ 18,980,753

The following presents the OPEB liability of the plan as of December 31, 2019, calculated using the discount rate of 2.7%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.7%) or 1-percentage-point higher (3.7%) than the current rate:

	1% Decrease 1.7%	Current Discount Rate 2.7%	1% Increase 3.7%
Total OPEB Liability	\$ 18,539,226	\$ 15,737,171	\$ 13,525,883

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 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, 2023. 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.

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 \$9,872,935 and \$9,600,039 for the years ended December 31, 2019 and 2018, 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 \$1,181,110 and \$1,029,006 for the years ended December 31, 2019 and 2018, respectively.

### Note 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 (Facility) is operated by Convanta Holding Corporation (Company) under an agreement that expires on March 10, 2030. The agreement may be extended for a period up to five (5) 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 2019 and 2018). 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 December 31, 2019 and 2018

### Note 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.

### Note 11 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Notes to Financial Statements December 31, 2019 and 2018

### Note 11 - Accounting Standards Issued But Not Yet Implemented - Continued

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-equity transfers of assets between a primary government employer and a component unit defined pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements for this statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Management has not estimated the extent of the potential impact of these statements on the Agency's financial statements.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Required Supplementary Information - Schedule of Proportionate Share of Net Pension Liability

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0056988%	0.0058980%	0.0059651%	0.0063837%	0.0065912%
Agency's proportionate share of the net pension liability	\$ 403,777	\$ 190,354	\$ 560,495	\$ 1,024,599	\$ 222,666
Agency's covered employee payroll	\$ 1,698,879	\$ 1,763,743	\$ 1,640,246	\$ 1,687,646	\$ 1,730,543
Agency's proportionate share of the net pension liability as a percentage of its covered employee payroll	23.77%	10.79% #	34.17% #	60.71% #	12.87%
ERS Plan fiduciary net position as a percentage of the total pension liability (March 31, ERS fiscal year end)	98.2%	98.2%	94.70%	90.7%	97.9%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Required Supplementary Information - Schedule of Pension Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 240,336	\$ 263,217	\$ 244,650	\$ 292,721	\$ 311,371	\$ 322,507	\$ 303,049	\$ 238,255	\$ 162,713	\$ 124,122
Contributions in relation to the contractually required contribution	240,336	263,217	244,650	292,721	311,371	322,507	303,049	238,255	162,713	124,122
Contribution deficiency or (excess)	-	-	-	-	-	-	-	-	-	-
Agency's covered employee payroll	1,698,879	1,763,743	1,640,246	1,687,646	1,730,543	1,611,363	1,621,591	1,551,878	1,518,335	1,570,096
Contributions as a percentage of covered employee payroll	14.15%	14.92%	14.92%	17.34%	17.99%	20.01%	18.69%	15.35%	10.72%	7.91%

*See Independent Auditor's Report.*

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Required Supplementary Information - Schedule of Other Postemployment Benefits Liability

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Total OPEB liability, <i>beginning of year</i></b>	<u>\$ 12,933,375</u>	<u>\$ 13,761,154</u>
<i>Changes for the year</i>		
Service cost	386,620	381,530
Interest	514,928	480,914
Differences between expected and actual experience	(923,263)	-
Changes in assumptions and other inputs	3,279,118	(1,362,203)
Benefit payments	<u>(453,607)</u>	<u>(328,020)</u>
Net changes	<u>2,803,796</u>	<u>(827,779)</u>
<b>Total OPEB liability, <i>end of year</i></b>	<u>15,737,171</u>	<u>12,933,375</u>
<b>Plan fiduciary net position</b>		
Contributions, employer	453,607	328,020
Benefit payments	<u>(453,607)</u>	<u>(328,020)</u>
Net changes in plan fiduciary net position	-	-
Plan fiduciary net position, <i>beginning of year</i>	-	-
Plan fiduciary net position, <i>end of year</i>	-	-
<b>Net OPEB liability</b>	<u><b>\$ 15,737,171</b></u>	<u><b>\$ 12,933,375</b></u>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	0.00%	0.00%
<b>Covered payroll</b>	\$ 1,698,879	\$ 1,763,743
<b>Net OPEB liability as a percentage of covered employee payroll</b>	926.33%	733.29%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Supplementary Information - Combining Fund Statements of Net Position

	December 31, 2019		
	Agency	Collection	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 86,321,987	\$ 8,634,014	\$ 94,956,001
Investments	2,896,623	-	2,896,623
Accounts receivable, net	874,843	-	874,843
Due from the Town of Islip	186,951	-	186,951
Due from other governments	13,200	-	13,200
Prepaid expenses	95,192	167,838	263,030
Total current assets	90,388,796	8,801,852	99,190,648
<b>NON-CURRENT ASSETS</b>			
Capital assets, net	1,939,213	786,515	2,725,728
Total assets	92,328,009	9,588,367	101,916,376
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferrals	149,078	289,386	438,464
OPEB related deferrals	746,381	2,115,390	2,861,771
Total deferred outflows	895,459	2,404,776	3,300,235
<b>Total assets and deferred outflows of resources</b>	<b>\$ 93,223,468</b>	<b>\$ 11,993,143</b>	<b>\$ 105,216,611</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 1,822,090	\$ 72,251	\$ 1,894,341
Accrued interest on bonds	44,753	-	44,753
Due to the Town of Islip	951,154	145,996	1,097,150
Due to other governments	259,826	-	259,826
Current portion of non-current liabilities	7,253,883	18,517	7,272,400
Total current liabilities	10,331,706	236,764	10,568,470
<b>NON-CURRENT LIABILITIES</b>			
Landfill closure and post-closure obligation, less current portion	28,466,334	-	28,466,334
Long-term debt, less current portion	2,530,000	-	2,530,000
Compensated absences	182,527	165,015	347,542
Net pension liability	137,284	266,493	403,777
Other postemployment benefits liability	4,367,776	11,369,395	15,737,171
Total non-current liabilities	35,683,921	11,800,903	47,484,824
Total liabilities	46,015,627	12,037,667	58,053,294
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension related deferrals	50,854	98,714	149,568
OPEB related deferrals	1,195,084	652,921	1,848,005
Deferred gain on refinancing	45,820	-	45,820
Total deferred inflows of resources	1,291,758	751,635	2,043,393
<b>NET POSITION</b>			
Net investment in capital assets	(541,015)	786,515	245,500
Restricted	2,500,000	-	2,500,000
Unrestricted	43,957,098	(1,582,674)	42,374,424
Total net position	45,916,083	(796,159)	45,119,924
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 93,223,468</b>	<b>\$ 11,993,143</b>	<b>\$ 105,216,611</b>

See Independent Auditor's Report.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Supplementary Information - Combining Fund Statements of Net Position - Continued

	December 31, 2018		
	Agency	Collection	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 73,013,712	\$ 8,305,260	\$ 81,318,972
Investments	10,611,033	-	10,611,033
Accounts receivable, net	1,071,186	-	1,071,186
Due from the Town of Islip	246,090	-	246,090
Due from other governments	14,141	-	14,141
Prepaid expenses	103,839	172,124	275,963
Total current assets	85,060,001	8,477,384	93,537,385
<b>NON-CURRENT ASSETS</b>			
Capital assets, net	1,966,336	1,160,777	3,127,113
Total assets	87,026,337	9,638,161	96,664,498
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferrals	252,088	494,540	746,628
<b>Total assets and deferred outflows of resources</b>	<b>\$ 87,278,425</b>	<b>\$ 10,132,701</b>	<b>\$ 97,411,126</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 1,826,863	\$ 51,872	1,878,735
Accrued interest on bonds	58,973	-	58,973
Due to the Town of Islip	687,460	140,580	828,040
Due to other governments	269,253	-	269,253
Current portion of non-current liabilities	1,568,396	15,604	1,584,000
Total current liabilities	4,410,945	208,056	4,619,001
<b>NON-CURRENT LIABILITIES</b>			
Landfill closure and post-closure obligation, less current portion	34,816,428	-	34,816,428
Long-term debt, less current portion	3,745,000	-	3,745,000
Compensated absences	163,908	139,038	302,946
Net pension liability	64,720	125,634	190,354
Other postemployment benefits liability	4,453,604	8,479,771	12,933,375
Total non-current liabilities	43,243,660	8,744,443	51,988,103
Total liabilities	47,654,605	8,952,499	56,607,104
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension related deferrals	210,618	408,845	619,463
OPEB related deferrals	399,656	760,957	1,160,613
Deferred gain on refinancing	137,460	-	137,460
Total deferred inflows of resources	747,734	1,169,802	1,917,536
<b>NET POSITION</b>			
Net investment in capital assets	(1,798,178)	1,160,777	(637,401)
Restricted	2,500,000	-	2,500,000
Unrestricted	38,174,264	(1,150,377)	37,023,887
Total net position	38,876,086	10,400	38,886,486
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 87,278,425</b>	<b>\$ 10,132,701</b>	<b>\$ 97,411,126</b>

See Independent Auditor's Report.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Supplementary Information - Combining Fund Statements of Revenue, Expenses and Changes in Net Position

	Year Ended December 31, 2019		
	Agency	Collection	Total
<b>OPERATING REVENUE</b>			
Tipping fees	\$ 33,339,766	\$ -	\$ 33,339,766
Collections	-	3,022,752	3,022,752
Sale of electricity	3,024,506	-	3,024,506
Recycling	187,039	-	187,039
Compost sales	257,318	-	257,318
Rent revenue	211,135	-	211,135
Operating grants	18,269	-	18,269
Ash disposal	290,483	-	290,483
Other revenue	305,958	45,921	351,879
Total operating revenue	37,634,474	3,068,673	40,703,147
<b>OPERATING EXPENSES</b>			
Administrative fees	9,872,935	-	9,872,935
Service fees	13,192,548	-	13,192,548
Ash treatment	3,210,243	-	3,210,243
Intermunicipal tipping fees	143,408	-	143,408
Depreciation	62,235	462,791	525,026
Landfill closure and post-closure costs	(166,807)	-	(166,807)
Personal services	614,779	1,177,342	1,792,121
Employee benefits	384,677	1,782,650	2,167,327
Contractual expenses	3,201,226	496,062	3,697,288
Professional fees	65,424	-	65,424
Rent and utilities	686,546	96,769	783,315
Miscellaneous	756,483	-	756,483
Total operating expenses	32,023,697	4,015,614	36,039,311
<b>Operating income (loss)</b>	<b>5,610,777</b>	<b>(946,941)</b>	<b>4,663,836</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Investment income	1,441,306	140,382	1,581,688
Interest expense	(12,086)	-	(12,086)
Total nonoperating revenue	1,429,220	140,382	1,569,602
<b>CHANGE IN NET POSITION</b>	<b>7,039,997</b>	<b>(806,559)</b>	<b>6,233,438</b>
<b>NET POSITION, beginning of year</b>	38,876,086	10,400	38,886,486
<b>NET POSITION, end of year</b>	<b>\$ 45,916,083</b>	<b>\$ (796,159)</b>	<b>\$ 45,119,924</b>

See Independent Auditor's Report.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Supplementary Information - Combining Fund Statements of Revenue, Expenses and Changes in Net Position - Continued

	<b>Year Ended December 31, 2018</b>		
	<b>Agency</b>	<b>Collection</b>	<b>Total</b>
<b>OPERATING REVENUE</b>			
Tipping fees	\$ 32,633,317	\$ -	\$ 32,633,317
Collections	-	2,995,743	2,995,743
Sale of electricity	3,131,267	-	3,131,267
Recycling	575,385	-	575,385
Compost sales	200,997	-	200,997
Rent revenue	84,500	-	84,500
Operating grants	602,962	(2,483)	600,479
Ash disposal	322,817	-	322,817
Other revenue	222,105	56,333	278,438
Total operating revenue	37,773,350	3,049,593	40,822,943
<b>OPERATING EXPENSES</b>			
Administrative fees	9,600,039	-	9,600,039
Service fees	12,839,408	-	12,839,408
Ash treatment	3,280,251	-	3,280,251
Intermunicipal tipping fees	172,744	-	172,744
Depreciation	61,377	557,521	618,898
Landfill closure and post-closure costs	341,399	-	341,399
Personal services	567,504	1,147,148	1,714,652
Employee benefits	484,238	1,249,014	1,733,252
Contractual expenses	2,960,745	482,665	3,443,410
Professional fees	75,987	-	75,987
Rent and utilities	685,344	98,896	784,240
Miscellaneous	1,015,031	-	1,015,031
Total operating expenses	32,084,067	3,535,244	35,619,311
<b>Operating income (loss)</b>	<b>5,689,283</b>	<b>(485,651)</b>	<b>5,203,632</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Investment income	1,067,045	104,799	1,171,844
Interest expense	(40,169)	-	(40,169)
Total nonoperating revenue	1,026,876	104,799	1,131,675
<b>CHANGE IN NET POSITION</b>	<b>6,716,159</b>	<b>(380,852)</b>	<b>6,335,307</b>
<b>NET POSITION, beginning of year</b>	32,159,927	391,252	32,551,179
<b>NET POSITION, end of year</b>	<b>\$ 38,876,086</b>	<b>\$ 10,400</b>	<b>\$ 38,886,486</b>

See Independent Auditor's Report.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Supplementary Information - Combining Fund Statements of Cash Flows

	Year Ended December 31, 2019		
	Agency	Collection	Total
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 37,890,897	\$ 3,068,673	\$ 40,959,570
Cash payments			
Personal services and employee benefits	(999,721)	(2,229,022)	(3,228,743)
Goods and services	(31,395,559)	(562,750)	(31,958,309)
	<b>5,495,617</b>	<b>276,901</b>	<b>5,772,518</b>
<b>CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(35,112)	(88,529)	(123,641)
Principal payments on revenue bonds payable	(1,190,000)	-	(1,190,000)
Interest payments on revenue bonds payable	(117,946)	-	(117,946)
	<b>(1,343,058)</b>	<b>(88,529)</b>	<b>(1,431,587)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>			
Proceeds from sale or redemption of investments	29,968,651	-	29,968,651
Purchase of investments	(22,254,241)	-	(22,254,241)
Interest income	1,441,306	140,382	1,581,688
	<b>9,155,716</b>	<b>140,382</b>	<b>9,296,098</b>
<b>Net increase in cash and cash equivalents</b>	<b>13,308,275</b>	<b>328,754</b>	<b>13,637,029</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>73,013,712</b>	<b>8,305,260</b>	<b>81,318,972</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 86,321,987</b>	<b>\$ 8,634,014</b>	<b>\$ 94,956,001</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 5,610,777	\$ (946,941)	\$ 4,663,836
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	62,235	462,791	525,026
Changes in			
Accounts receivable	196,343	-	196,343
Due from other governments	941	-	941
Due from the Town of Islip	59,139	-	59,139
Prepaid expenses	8,647	4,286	12,933
Deferred outflows of resources, pensions	103,010	205,154	308,164
Accounts payable and accrued expenses	(4,773)	20,379	15,606
Due to other governments	(9,427)	-	(9,427)
Due to the Town of Islip	263,694	5,416	269,110
Landfill closure and post-closure obligation	(691,694)	-	(691,694)
Compensated absences	20,706	28,890	49,596
Net pension liability	72,564	140,859	213,423
Deferred inflows of resources, pensions	(159,764)	(310,131)	(469,895)
Other postemployment benefits liability	(85,828)	2,889,624	2,803,796
Deferred outflows of resources, OPEB	(746,381)	(2,115,390)	(2,861,771)
Deferred inflows of resources, OPEB	795,428	(108,036)	687,392
	<b>\$ 5,495,617</b>	<b>\$ 276,901</b>	<b>\$ 5,772,518</b>

See Independent Auditor's Report.

# Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

## Supplementary Information - Combining Fund Statements of Cash Flows - Continued

	Year Ended December 31, 2018		
	Agency	Collection	Total
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 37,858,865	\$ 3,049,593	\$ 40,908,458
Cash payments			
Personal services and employee benefits	(984,219)	(2,199,259)	(3,183,478)
Goods and services	(31,031,350)	(483,454)	(31,514,804)
	<b>5,843,296</b>	<b>366,880</b>	<b>6,210,176</b>
<b>CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(3,116)	(101,512)	(104,628)
Principal payments on revenue bonds payable	(1,160,000)	-	(1,160,000)
Interest payments on revenue bonds payable	(145,671)	-	(145,671)
	<b>(1,308,787)</b>	<b>(101,512)</b>	<b>(1,410,299)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>			
Proceeds from sale or redemption of investments	30,997,404	-	30,997,404
Purchase of investments	(40,516,560)	-	(40,516,560)
Interest income	1,067,045	104,799	1,171,844
	<b>(8,452,111)</b>	<b>104,799</b>	<b>(8,347,312)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,917,602)</b>	<b>370,167</b>	<b>(3,547,435)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>76,931,314</b>	<b>7,935,093</b>	<b>84,866,407</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 73,013,712</b>	<b>\$ 8,305,260</b>	<b>\$ 81,318,972</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 5,689,283	\$ (485,651)	\$ 5,203,632
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	61,377	557,521	618,898
Changes in			
Accounts receivable	138,135	-	138,135
Due from other governments	(4,629)	-	(4,629)
Due from the Town of Islip	(47,991)	-	(47,991)
Prepaid expenses	(10,904)	(10,461)	(21,365)
Deferred outflows of resources, pensions	(50,856)	(98,723)	(149,579)
Accounts payable and accrued expenses	51,636	(10,224)	41,412
Due to other governments	13,954	(21,788)	(7,834)
Due to the Town of Islip	31,514	140,580	172,094
Landfill closure and post-closure obligation	(146,602)	-	(146,602)
Compensated absences	(43,986)	(17,634)	(61,620)
Net pension liability	(125,848)	(244,293)	(370,141)
Deferred inflows of resources, pensions	174,397	338,535	512,932
Other postemployment benefits liability	(285,840)	(541,939)	(827,779)
Deferred inflows of resources, OPEB	399,656	760,957	1,160,613
	<b>\$ 5,843,296</b>	<b>\$ 366,880</b>	<b>\$ 6,210,176</b>

See Independent Auditor's Report.



**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 (Agency), a component unit of the Town of Islip, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 23, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albany, New York  
March 23, 2020

BST & CO. CPAs, LLP