

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Basic Financial Statements and
Supplementary Information
December 31, 2021 and 2020
(With Independent Auditors' Report Thereon)

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Islip Resource Recovery Agency
Islip, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Islip Resource Recovery Agency (the Agency), a component unit of the Town of Islip, New York, as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Agency as of December 31, 2020, were audited by other auditor's whose report dated March 22, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2022 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 29, 2022

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Management's Discussion and Analysis
December 31, 2021 and 2020

Our discussion and analysis of Islip Resource Recovery Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2021 and 2020. Please read this discussion and analysis along with the financial statements and the accompanying notes to financial statements.

Overview of the Financial Statements

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

Summary of Organization and Business

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

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

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

Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current assets	\$ 101,357,982	97,281,283	99,190,648
Capital assets, net	<u>2,752,611</u>	<u>2,973,584</u>	<u>2,725,728</u>
Total assets	<u>104,110,593</u>	<u>100,254,867</u>	<u>101,916,376</u>
Deferred outflows of resources	<u>5,911,062</u>	<u>4,761,105</u>	<u>3,300,235</u>
Liabilities:			
Current liabilities	4,525,605	5,380,142	10,568,470
Noncurrent liabilities	<u>47,856,455</u>	<u>48,410,851</u>	<u>47,484,824</u>
Total liabilities	<u>52,382,060</u>	<u>53,790,993</u>	<u>58,053,294</u>
Deferred inflow of resources	<u>3,408,819</u>	<u>1,900,977</u>	<u>2,043,393</u>
Net position	<u>\$ 54,230,776</u>	<u>49,324,002</u>	<u>45,119,924</u>

Condensed Statements of Revenue, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenue	\$ 42,717,103	42,435,978	40,703,147
Operating expenses	<u>37,791,702</u>	<u>38,564,845</u>	<u>36,039,311</u>
Operating income	4,925,401	3,871,133	4,663,836
Nonoperating revenue (expense)	<u>(18,627)</u>	<u>332,945</u>	<u>1,569,602</u>
Change in net assets	4,906,774	4,204,078	6,233,438
Net position at beginning of year	<u>49,324,002</u>	<u>45,119,924</u>	<u>38,886,486</u>
Net position at end of year	<u>\$ 54,230,776</u>	<u>49,324,002</u>	<u>45,119,924</u>

Debt Administration

At December 31, 2021 and 2020, the Agency had \$1,280,000 and \$2,530,000, respectively, in bonds outstanding. Total interest payments on the Agency's bonds were \$60,468 and \$89,506 for the years ended December 31, 2021 and 2020, respectively.

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

Blydenburgh Cleanfill

The Blydenburgh Cleanfill Landfill, Phase I and Phase II, remains active and continues to accept construction and demolition debris. It is projected that these cells will have available capacity through 2023.

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

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

Sayville Landfill

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

	<u>Other Selected Information</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Collection unit			
Dwelling units	8,679	8,679	8,674
Collection fees	<u>\$ 2,997,032</u>	<u>3,023,979</u>	<u>3,020,181</u>
MacArthur Resource Recovery Facility (MRRF) Operations			
Billable tons	187,072	194,149	174,920
Tipping fees	<u>\$ 35,892,546</u>	<u>34,833,377</u>	<u>33,339,766</u>
Kilowatt Hours (kWh) produced	43,617,136	55,162,558	50,385,557
Electricity sales	<u>\$ 2,670,900</u>	<u>3,436,452</u>	<u>3,024,506</u>
Compost sales revenue	<u>\$ 154,568</u>	<u>205,496</u>	<u>257,316</u>
Sayville recycling fees	<u>\$ 159,057</u>	<u>115,818</u>	<u>187,039</u>

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

MacArthur Resource Recovery Facility (MRRF) Electricity Warranty

The electric export warranty agreement calls for the generation of 53,152,847 kWh per year. The total kWh produced for 2021 was 43,617,136. This resulted in a deficit of 9,535,711 kWh as compared to the warranty. This deficit was a result of an electrical fault in the underground cable that connects MRRF to Public Service Electric & Gas Company (PSE&G) and caused damage to the turbine generator. As a result, there was no electricity generation for October and November of 2021. This deficit calculates to \$536,381 in warranty provision revenue after an allowance of 776,340 kWh, which was waived as the event constituted on "Uncontrollable Circumstance" under the warranty agreement.

The total kWh produced for 2020 was 55,162,558. This resulted in a surplus of 2,009,711 kWh as compared to the warranty. This excess calculates to \$42,631 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 2021, the total of ash generated was 52,664 tons, which was 8,525 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 \$209,185.

During 2020, the total of ash generated was 59,702 tons, which was 6,935 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 \$169,066.

Collection Unit

The Agency continues to maintain and provide solid waste collection services to approximately 8,700 homes within the Town's consolidated refuse and collection district. During 2021, 2020 and 2019, the Agency's collection unit serviced 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 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:

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	<u>\$ 101,357,982</u>	<u>97,281,283</u>	<u>99,190,648</u>
Capital assets, net	<u>\$ 2,752,611</u>	<u>2,973,584</u>	<u>2,725,728</u>
Net position	<u>\$ 54,230,776</u>	<u>49,324,002</u>	<u>45,119,924</u>

Capital Assets

At December 31, 2021, the Agency had capital assets of \$2,752,611, as compared to \$2,973,584 at December 31, 2020. The net decrease from 2020 in the amount of \$220,973 is attributed to depreciation expense of \$396,182, offset by capital asset additions of \$175,209.

At December 31, 2020, the Agency had capital assets of \$2,973,584, as compared to \$2,725,728 at December 31, 2019. The net decrease from 2019 in the amount of \$247,856 is attributed to depreciation expense of \$486,466, offset by capital asset additions of \$734,322.

Results of Operations

Revenue

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tipping fees	\$ 35,892,546	34,833,377	33,339,766
Collections	2,997,032	3,023,979	3,020,181
Sale of electricity	2,670,900	3,436,452	3,024,506
Ancillary revenue	<u>1,156,625</u>	<u>1,142,170</u>	<u>1,318,694</u>
Total operating revenue	<u>\$ 42,717,103</u>	<u>42,435,978</u>	<u>40,703,147</u>

Total operating revenue for the year ended December 31, 2021 increased by \$281,125, or 0.7% from 2020. This increase was related primarily to increased tipping fee volume offset by a decline in electricity generation.

Total operating revenue for the year ended December 31, 2020 increased by \$1,732,831, or 4.3% from 2019. This increase was related primarily to tipping fee volume and electricity generation offset by declines in other revenue, such as compost sales and recycling.

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

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 2021 total operating expenses decreased by \$773,143 or 2.0%. The decrease is primarily driven by reduced service fees as people returned to work as COVID-19 restrictions were relaxed which reduced at-home garbage generation, as well as decreased ash treatment expense due to MRRF being offline for two months.

In 2020 total operating expenses increased by approximately \$2,525,534 or 7.1%. The increase is driven by several factors, including increased volume resulting in higher tipping fees. Additionally, the Agency incurred \$1.1 million in higher waste transfer fees paid to Covanta, who operates the MRRF. Finally, the Agency's employee benefits expenses increased mainly due to net pension liability reporting, which was measured as of March 31, 2020, when the financial markets were severely depressed due to the COVID-19 pandemic.

Cash Flows Activity

The following table summarizes the Agency's total operating revenue and net cash provided by (used in) operating activities over the last three years.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total operating revenue	<u>\$ 42,717,103</u>	<u>42,435,978</u>	<u>40,703,147</u>
Net cash provided by (used in) operating activities	<u>\$ 5,911,343</u>	<u>(535,660)</u>	<u>5,772,518</u>

Capital Assets and Long-Term Debt

The investment in capital assets to date is \$98,285,407, 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.

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

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 2022 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
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and equivalents	\$ 96,354,139	93,600,566
Investments	3,738,678	2,039,682
Accounts receivable, net	664,112	1,091,446
Due from the Town of Islip	230,822	212,288
Due from other governments	13,327	9,828
Prepaid expenses	<u>356,904</u>	<u>327,473</u>
Total current assets	101,357,982	97,281,283
Noncurrent assets - capital assets, net	<u>2,752,611</u>	<u>2,973,584</u>
Total assets	<u>104,110,593</u>	<u>100,254,867</u>
Deferred outflows of resources	<u>5,911,062</u>	<u>4,761,105</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	1,782,595	2,282,818
Accrued interest on bonds	15,296	30,234
Due to the Town of Islip	797,965	1,094,239
Due to other governments	240,716	316,851
Current portion of non-current liabilities	<u>1,689,033</u>	<u>1,656,000</u>
Total current liabilities	<u>4,525,605</u>	<u>5,380,142</u>
Noncurrent liabilities:		
Landfill closure and post-closure obligation, less current portion	27,656,495	27,764,338
Bonds payable, less current portion	-	1,280,000
Compensated absences, less current portion	441,301	418,435
Net pension liability	5,831	1,505,173
Total OPEB liability	<u>19,752,828</u>	<u>17,442,905</u>
Total noncurrent liabilities	<u>47,856,455</u>	<u>48,410,851</u>
Total liabilities	<u>52,382,060</u>	<u>53,790,993</u>
Deferred inflows of resources	<u>3,408,819</u>	<u>1,900,977</u>
Net position:		
Net investment in capital assets	2,783,203	1,754,176
Restricted	2,500,000	2,500,000
Unrestricted	<u>48,947,573</u>	<u>45,069,826</u>
Total net position	<u>\$ 54,230,776</u>	<u>49,324,002</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Tipping fees	\$ 35,892,546	34,833,377
Collections	2,997,032	3,023,979
Sale of electricity	2,670,900	3,436,452
Recycling	159,057	115,818
Compost sales	154,568	205,496
Rent revenue	213,335	207,913
Ash disposal	314,179	344,162
Other revenue	<u>315,486</u>	<u>268,781</u>
Total operating revenue	<u>42,717,103</u>	<u>42,435,978</u>
Operating expenses:		
Administrative fees	9,917,630	9,938,250
Service fees	12,268,122	13,596,585
Ash treatment	3,344,422	3,749,745
Intermunicipal tipping fees	210,918	146,114
Depreciation	396,182	486,466
Landfill closure and post-closure costs	324,443	34,509
Personal services	1,978,710	1,937,181
Employee benefits	2,729,337	2,618,814
Contractual expenses	3,090,285	3,335,633
Professional fees	128,281	85,302
Rent and utilities	862,436	780,845
Miscellaneous	<u>2,540,936</u>	<u>1,855,401</u>
Total operating expenses	<u>37,791,702</u>	<u>38,564,845</u>
Operating income	<u>4,925,401</u>	<u>3,871,133</u>
Nonoperating revenue (expense):		
Investment income	26,903	362,112
Interest expense	<u>(45,530)</u>	<u>(29,167)</u>
Total nonoperating revenue (expense)	<u>(18,627)</u>	<u>332,945</u>
Change in net position	4,906,774	4,204,078
Net position at beginning of year	<u>49,324,002</u>	<u>45,119,924</u>
Net position at end of year	<u>\$ 54,230,776</u>	<u>49,324,002</u>

See accompanying notes to financial statements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Statements of Cash Flows
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 43,122,404	42,197,410
Cash payments:		
Personal services and employee benefits	(3,519,693)	(3,228,438)
Goods and services	<u>(33,691,368)</u>	<u>(39,504,632)</u>
Net cash provided by (used in) operating activities	<u>5,911,343</u>	<u>(535,660)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(175,209)	(734,322)
Principal payments on revenue bonds payable	(1,250,000)	(1,215,000)
Interest payments on revenue bonds payable	<u>(60,468)</u>	<u>(89,506)</u>
Net cash used in capital and related financing activities	<u>(1,485,677)</u>	<u>(2,038,828)</u>
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	1,315,117	40,424,756
Purchase of investments	(3,014,113)	(39,567,815)
Investment income	<u>26,903</u>	<u>362,112</u>
Net cash provided by (used in) investing activities	<u>(1,672,093)</u>	<u>1,219,053</u>
Net increase (decrease) in cash and equivalents	2,753,573	(1,355,435)
Cash and equivalents at beginning of year	<u>93,600,566</u>	<u>94,956,001</u>
Cash and equivalents at end of year	<u>\$ 96,354,139</u>	<u>93,600,566</u>

(Continued)

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 4,925,401	3,871,133
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	396,182	486,466
Changes in:		
Accounts receivable	427,334	(213,231)
Due from the Town of Islip	(18,534)	(25,337)
Due from other governments	(3,499)	-
Prepaid expenses	(29,431)	(64,443)
Deferred outflows of resources, pensions	(292,803)	(648,545)
Deferred outflows of resources, OPEB	(857,154)	(812,325)
Accounts payable and accrued expenses	(500,223)	388,477
Due to the Town of Islip	(296,274)	(2,911)
Due to other governments	(76,135)	57,025
Landfill closure and post-closure obligation	(107,843)	(6,360,396)
Compensated absences	25,899	77,893
Net pension liability	(1,499,342)	1,101,396
Total OPEB liability	2,309,923	1,705,734
Deferred inflows of resources, pensions	1,668,936	(107,259)
Deferred inflows of resources, OPEB	<u>(161,094)</u>	<u>10,663</u>
Net cash provided by (used in) operating activities	<u>\$ 5,911,343</u>	<u>(535,660)</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, 2021 and 2020

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Islip Resource Recovery Agency (the 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 (the Act).

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

The Agency is authorized by the Act to finance, acquire, construct, operate, and maintain a solid waste management-resource recovery system (which consists of two closed landfills; 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 1(a). The Collection Unit Fund is used to account for the activities of automated garbage collection services provided for ten Town garbage districts.

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

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

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

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

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

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

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, Equivalents and Investments

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

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

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

(f) Cash, Equivalents and Investments, Continued

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

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

The Agency reports investments at fair value.

(g) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has established an allowance for uncollectible accounts of \$78,665 and \$77,963 at December 31, 2021 and 2020, 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, Continued

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

(h) Capital Assets, Continued

Long-lived assets held and used in operations are reviewed for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. No impairment occurred for the years ended December 31, 2021 and 2020.

(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 \$28,016,495 and \$28,124,338 as of December 31, 2021 and 2020, 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, 2021 and 2020, respectively. However, the actual costs of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The amount recognized for the cleanfill landfill, Phase I, is based upon the usage of 96.72% and 96.75% of capacity for 2021 and 2020, respectively. The amount recognized for the cleanfill landfill, Phase II, is based on the usage of 99.59% and 97.76% of the capacity for 2021 and 2020, respectively. It is estimated that an additional \$304,492 for Phase I and \$59,533 for Phase II will be recognized as closure and post-closure care expenses between January 1, 2021 and 2023, when the sites are expected to be filled to capacity.

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

(j) Insurance

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

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

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

(k) Compensated Absences

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

(l) Pension Benefits

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

(m) Other Postemployment Benefits

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

(n) Deferred Outflows and Inflows of Resources

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

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

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

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

(n) Deferred Outflows and Inflows of Resources

The following is a summary of deferred outflows and inflows of resources as of December 31, 2021 and 2020:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension related deferrals	\$ 1,379,812	1,711,245	1,087,009	42,309
OPEB related deferrals	<u>4,531,250</u>	<u>1,697,574</u>	<u>3,674,096</u>	<u>1,858,668</u>
Total	<u>\$ 5,911,062</u>	<u>3,408,819</u>	<u>4,761,105</u>	<u>1,900,977</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, 2021 and 2020, 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 net position for the purposes of the capital reserve.

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

	2021		
	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Capital assets, net	\$ 1,891,159	861,452	2,752,611
Bonds outstanding	(1,280,000)	-	(1,280,000)
Debt service reserve fund	<u>1,310,592</u>	<u>-</u>	<u>1,310,592</u>
Net investment in capital assets	<u>\$ 1,921,751</u>	<u>861,452</u>	<u>2,783,203</u>

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

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

(o) Net Position, Continued

	2020		
	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Capital assets, net	\$ 1,878,050	1,095,534	2,973,584
Bonds outstanding	(2,530,000)	-	(2,530,000)
Debt service reserve fund	<u>1,310,592</u>	<u>-</u>	<u>1,310,592</u>
Net investment in capital assets	\$ <u>658,642</u>	<u>1,095,534</u>	<u>1,754,176</u>

(p) Subsequent Events

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

(q) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on the Agency and its future results and financial position is not presently determinable.

(r) Reclassifications

Certain items have been reclassified to conform them to the current presentation

(2) Cash and Equivalents and Investments

(a) Cash and Equivalents and Investments

The Town maintains a consolidated account and temporary investments with a financial institution on behalf of the Agency. The amount held by the Town on behalf of the Agency was \$88,477,327 and \$84,713,440 as of December 31, 2021 and 2020, respectively. The Agency's other cash and equivalents consist of deposit accounts.

(b) Investments

The Agency's investments consist exclusively of money market funds as of December 31, 2021 and 2020. 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, 2021.

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

(2) Cash and Equivalents and Investments, Continued

(c) Fair Value Measurements

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2021 and 2020:

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

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

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

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

Accounts receivable and amounts due from the Town and other governments at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Due from the Town of Islip		
Tipping fees	\$ 87,595	34,856
Clean air act reimbursement	<u>143,227</u>	<u>177,432</u>
Total	\$ <u>230,822</u>	<u>212,288</u>
Due from other governments - tipping fees	\$ <u>13,327</u>	<u>9,828</u>
Accounts receivable, net		
Tipping fees	\$ 298,743	326,061
Recyclable sales	13,452	14,583
Electricity sales	388,279	762,354
Other	<u>42,303</u>	<u>66,411</u>
	742,777	1,169,409
Less allowance for doubtful accounts	<u>(78,665)</u>	<u>(77,963)</u>
	\$ <u>664,112</u>	<u>1,091,446</u>

Amounts due to the Town and other governments at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>		
	<u>Agency Fund</u>	<u>Collection Unit Fund</u>	<u>Total</u>
Due to the Town of Islip:			
General liability insurance	\$ 4,600	50,800	55,400
Workers compensation	26,212	61,160	87,372
Administrative overhead	<u>655,193</u>	-	<u>655,193</u>
Total	\$ <u>686,005</u>	<u>111,960</u>	<u>797,965</u>
Due to other governments -			
Town of Brookhaven - ash disposal	\$ <u>240,716</u>	-	<u>240,716</u>

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

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

	2020		
	Agency Fund	Collection Unit Fund	Total
Due to the Town of Islip:			
General liability insurance	\$ 8,200	50,800	59,000
Workers compensation	25,622	45,115	70,737
Administrative overhead	<u>964,502</u>	<u>-</u>	<u>964,502</u>
Total	\$ <u>998,324</u>	<u>95,915</u>	<u>1,094,239</u>
Due to other governments -			
Town of Brookhaven - ash disposal	\$ <u>316,851</u>	<u>-</u>	<u>316,851</u>

(4) Capital Assets

Activity for capital assets for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021			
	December 31, 2020	Additions	Dispositions	December 31, 2021
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	9,454,735	172,511	-	9,627,246
Furniture and fixtures	<u>174,025</u>	<u>2,698</u>	<u>-</u>	<u>176,723</u>
	96,512,377	175,209	-	96,687,586
Accumulated depreciation	<u>(95,136,614)</u>	<u>(396,182)</u>	<u>-</u>	<u>(95,532,796)</u>
Total depreciable assets, net	1,375,763	(220,973)	-	1,154,790
Non-depreciable assets - land	<u>1,597,821</u>	<u>-</u>	<u>-</u>	<u>1,597,821</u>
Total	\$ <u>2,973,584</u>	<u>(220,973)</u>	<u>-</u>	<u>2,752,611</u>

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

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	2020			
	December 31, 2019	Additions	Dispositions	December 31, 2020
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	8,720,413	734,322	-	9,454,735
Furniture and fixtures	174,025	-	-	174,025
	95,778,055	734,322	-	96,512,377
Accumulated depreciation	(94,650,148)	(486,466)	-	(95,136,614)
Total depreciable assets, net	1,127,907	247,856	-	1,375,763
Non-depreciable assets - land	1,597,821	-	-	1,597,821
Total	\$ 2,725,728	247,856	-	2,973,584

(5) Long-Term Liabilities

The following tables summarize the Agency's long-term liabilities at December 31, 2021 and 2020.

	January 1, 2021	Additions	Deletions	December 31, 2021	Due Within One Year
	Bonds payable	\$ 2,530,000	-	(1,250,000)	1,280,000
Compensated absences	464,435	25,899	-	490,334	49,033
Net pension liability	1,505,173	-	(1,499,342)	5,831	-
Total OPEB liability	17,442,905	2,309,923	-	19,752,828	-
Landfill closure and post-closure costs	28,124,338	-	(107,843)	28,016,495	360,000
Total	\$ 50,066,851	2,335,822	(2,857,185)	49,545,488	1,689,033

	January 1, 2020	Additions	Deletions	December 31, 2020	Due Within One Year
	Bonds payable	\$ 3,745,000	-	(1,215,000)	2,530,000
Compensated absences	386,542	77,893	-	464,435	46,000
Net pension liability	403,777	1,319,134	(217,738)	1,505,173	-
Total OPEB liability	15,737,171	2,180,351	(474,617)	17,442,905	-
Landfill closure and post-closure costs	34,484,734	446,779	(6,807,175)	28,124,338	360,000
Total	\$ 54,757,224	4,024,157	(8,714,530)	50,066,851	1,656,000

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

(6) Revenue Bonds Payable

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

The Agency’s constitutional debt limit at December 31, 2021 and 2020, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31, 2022	\$ <u>1,280,000</u>	<u>30,592</u>	<u>1,310,592</u>

(7) New York State Retirement System

(a) Plan Description and Benefits Provided

The Agency participates in the New York State and Local Employees’ Retirement System (the System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

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

(b) Contributions

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

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

(7) New York State Retirement System, Continued

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2021 and 2020, the Agency reported liabilities of \$5,831 and \$1,505,173 for its proportionate share of the net pension liability, respectively. The net pension liabilities were measured as of March 31, 2021 and 2020, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation April 1, 2020 and April 1 2019. 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, 2021 and 2020, the Agency's proportion was 0.0058556% and 0.0056841%, respectively.

For the years ended December 31, 2021 and 2020, the Agency recognized pension expense of \$141,481 and \$516,988, respectively.

At December 31, 2021 and 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 71,208	-	88,586	-
Changes of assumptions	1,072,069	20,220	30,307	26,170
Net differences between projected and actual investment earnings on pension plan investments	-	1,674,907	771,625	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,976	16,118	25,096	16,139
Agency contributions subsequent to the measurement date	<u>207,559</u>	<u>-</u>	<u>171,395</u>	<u>-</u>
Total	<u>\$ 1,379,812</u>	<u>1,711,245</u>	<u>1,087,009</u>	<u>42,309</u>

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

(7) New York State Retirement System, Continued

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions, Continued

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:

<u>Year ending December 31,</u>	
2022	\$ (92,380)
2023	(34,102)
2024	(91,263)
2025	<u>(321,247)</u>
Total	\$ <u>(538,992)</u>

(d) Actuarial Assumptions

The total pension liability at March 31, 2021 and 2020 was determined by using actuarial valuations as of April 1, 2020 and 2019, respectively, with update procedures used to roll forward the total pension liability to March 31, 2021 and 2020. The actuarial valuations used the following actuarial assumptions:

	<u>March 31,</u>	
	<u>2021</u>	<u>2020</u>
Investment rate of return (net of investment, expense, including inflation)	5.9%	6.8%
Salary increases	4.4%	4.2%
Cost of living adjustments	1.4%	1.3%
Inflation	2.7%	2.5%

Annuitant mortality rates for the April 1, 2020 actuarial valuation are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The actuarial valuation as of April 1, 2019 used April 1, 2010 - March 31, 2015 System experience, mortality improvements based on the Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the April 1, 2020 and April 1, 2019 valuations are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

(7) New York State Retirement System, Continued

(d) Actuarial Assumptions, Continued

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, 2021 are summarized on the next page:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	32.00%	4.05%
International equity	15.00%	6.30%
Private equity	10.00%	6.75%
Real estate	9.00%	4.95%
Opportunistic/ARS portfolio	3.00%	4.50%
Credit	4.00%	3.63%
Real assets	3.00%	5.93%
Fixed Income	23.00%	0.00%
Cash	<u>1.00%</u>	0.50%
	<u>100.00%</u>	

(e) Discount Rate

The discount rate used to measure the total pension liability was 5.9% and 6.8% for the years ended March 31, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

(7) New York State Retirement System, Continued

(f) 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, 2021 and 2020 calculated using the discount rates of 5.9% and 6.80%, respectively, as well as what the Agency's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than those rates:

	2021		
	1% Decrease (4.9%)	Discount Rate (5.9%)	1% Increase (6.9%)
Agency's proportionate share of the net pension asset (liability)	\$ (1,618,364)	(5,831)	1,481,302
	2020		
	1% Decrease (5.8%)	Discount Rate (6.8%)	1% Increase (7.8%)
Agency's proportionate share of the net pension liability	\$ (2,762,419)	(1,505,173)	(347,246)

(g) Pension Plan Fiduciary Net Position

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

	2021	2020
Employers' total pension liability	\$ (220,680,157)	(194,596,261)
Fiduciary net position	220,580,583	168,115,682
Employers' net pension liability	\$ (99,574)	(26,480,579)
Ratio of fiduciary net position to the employers' total pension liability	99.95%	86.4%

(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, Continued

(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, 2021 is as follows:

	<u>Actives</u>	<u>Inactives Receiving Benefits</u>	<u>Total Census</u>
Female	6	3	9
Male	<u>21</u>	<u>17</u>	<u>38</u>
Total	<u>27</u>	<u>20</u>	<u>47</u>

The contribution requirements of benefit plan members and the Agency are established pursuant to applicable collective bargaining and employment agreements. The required rates of the employer and the members may vary depending on the applicable agreement. The Agency is not required to fund the benefit plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the years ended December 31, 2021 and 2020, the Agency paid \$495,199 and \$474,617, respectively, on behalf of the plan members. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

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

At December 31, 2021 and 2020, the Agency reported a liability of \$19,752,828 and \$17,442,905 for its total OPEB liability, respectively. The total OPEB liability was measured as of January 1, 2021 by an actuarial valuation as of that date. For the years ended December 31, 2021 and 2020, the Agency recognized OPEB expense of \$1,786,874 and \$1,378,689, respectively. At December 31, 2021 and 2020, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2021		2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,760,062	850,863	93,350	1,101,235
Changes of assumptions	<u>2,771,188</u>	<u>846,711</u>	<u>3,580,746</u>	<u>757,433</u>
Total	<u>\$ 4,531,250</u>	<u>1,697,574</u>	<u>3,674,096</u>	<u>1,858,668</u>

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

(8) Other Postemployment Benefits (OPEB), Continued

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

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

<u>Year ending December 31,</u>	
2022	\$ 668,245
2023	668,245
2024	717,172
2025	510,941
2026	190,832
Thereafter	<u>78,241</u>
Total	\$ <u>2,833,676</u>

(b) Actuarial Assumptions

The total OPEB liability in the December 31, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions:

Discount Rate	2.12% January 1 st ; 2.12% December 31 st
Measurement Date	January 1, 2021
Payroll Growth	2.50%
Mortality	Utilized rates developed in the report, “New York State/SUNY GASB 75 - “Valuation Development of Recommended Actuarial Assumptions” prepared in June 2019.
Participation Rate	100% of current active employees, assumed 75% of male and 50% of female employee will elect spousal coverage.
Actuarial Cost Method	Entry Age Actuarial

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

<u>Year</u>	<u>Non Medicare</u>	<u>Medicare Part B</u>
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, Continued

(8) Other Postemployment Benefits (OPEB), Continued

(c) Schedule of Change in the Total OPEB Liability

Balance at January 1, 2021	\$ 17,442,905
Changes for the year:	
Service cost	703,395
Interest on total OPEB liability	415,234
Differences between expected and actual experience	2,044,633
Changes in assumptions and other inputs	(358,140)
Benefit payments	<u>(495,199)</u>
Net change	<u>2,309,923</u>
Balance at December 31, 2021	\$ <u>19,752,828</u>

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

The following presents the total OPEB liability as of December 31, 2021 using current health care cost trend rates as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower and 1% higher than the current rate:

	1% <u>Decrease</u>	Current Healthcare <u>Trend Rates</u>	1% <u>Increase</u>
Total OPEB liability	\$ <u>16,461,339</u>	<u>19,752,828</u>	<u>24,014,148</u>

The following presents the total OPEB liability of the plan as of December 31, 2021, calculated using the discount rate of 2.12%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current rate:

	1% Decrease <u>1.12%</u>	Current Discount Rate <u>2.12%</u>	1% Increase <u>3.12%</u>
Total OPEB liability	\$ <u>23,432,956</u>	<u>19,752,828</u>	<u>16,849,687</u>

(9) Related Party Transactions

On December 1, 1985, the Agency entered into a solid waste management agreement with the Town, as amended, that expires on December 1, 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.

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

(9) Related Party Transactions, Continued

On an annual basis, the Agency and Town enter into a management services agreement, which defines the charges to the Agency for services provided by the Town. The administrative fees expense amounted to \$9,917,630 and \$9,938,250 for the years ended December 31, 2021 and 2020, 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 \$933,521 and \$1,345,544 for the years ended December 31, 2021 and 2020, respectively.

(10) Commitments and Contingencies

(a) Litigation

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

(b) Environmental Risks

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

(c) Operation of MacArthur Resource Recovery Facility

The MacArthur Resource Recovery Facility (the Facility) is operated by Convanta Holding Corporation (the Company) under an agreement that expires on March 10, 2030. The agreement may be extended for a period up to five years. Under the terms of the agreement, the Company receives a service fee. The service fee consists of base, ash management, and operating fees which are determined by the number of tons of municipal solid waste processed (\$2 per ton of municipal solid waste transferred through the station in any calendar year above 25,000 tons), plus 85% of the revenue from the sale of recovered materials, and 25% of the revenue from the sale of electricity up to a threshold amount (53,152,847 kWh in 2021 and 2020). The Company also receives 50% of the revenue from the sale of any additional electricity sold each year.

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

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

(10) Commitments and Contingencies

(c) Operation of MacArthur Resource Recovery Facility, Continued

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

(11) Accounting Standards Issued But Not Yet Implemented

Statement No. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Agency's Proportionate Share of the Net Pension Liability
Year ended December 31, 2021

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

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

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Agency's Pension Contributions
Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 276,745	228,526	240,336	263,214	244,650	292,721	311,371	322,507	303,049	238,255
Contributions in relation to the contractually required contribution	<u>276,745</u>	<u>228,526</u>	<u>240,336</u>	<u>263,214</u>	<u>244,650</u>	<u>292,721</u>	<u>311,371</u>	<u>322,507</u>	<u>303,049</u>	<u>238,255</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
Agency's covered payroll	\$ 1,813,549	1,661,954	1,698,879	1,763,743	1,640,246	1,687,646	1,730,543	1,611,363	1,621,591	1,551,878
Contributions as a percentage of covered payroll	15.26%	13.75%	14.15%	14.92%	14.92%	17.34%	17.99%	20.01%	18.69%	15.35%

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Changes in the Agency's
Total OPEB Liability and Related Ratios
Year ended December 31, 2020

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 703,395	558,556	386,620	381,530
Interest	415,234	440,043	514,928	480,914
Differences between expected and actual experience	2,044,633	(462,625)	(923,263)	-
Changes of assumptions or other inputs	(358,140)	1,644,377	3,279,118	(1,362,203)
Benefit payments	<u>(495,199)</u>	<u>(474,617)</u>	<u>(453,607)</u>	<u>(328,020)</u>
Net change in total OPEB liability	2,309,923	1,705,734	2,803,796	(827,779)
Total OPEB liability - beginning	<u>17,442,905</u>	<u>15,737,171</u>	<u>12,933,375</u>	<u>13,761,154</u>
Total OPEB liability - ending	<u>\$19,752,828</u>	<u>17,442,905</u>	<u>15,737,171</u>	<u>12,933,375</u>
Covered payroll	\$ 1,646,340	1,591,547	1,552,729	1,698,879
Total OPEB liability as a percentage of covered payroll	1199.80%	1095.97%	1013.52%	46.51%

Notes to schedule:

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

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

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
2.12%	2.12%	2.70%	4.10%

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

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statements of Net Position
December 31, 2021

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Current assets:			
Cash and equivalents	\$88,310,184	8,043,955	96,354,139
Investments	3,738,678	-	3,738,678
Accounts receivable, net	664,112	-	664,112
Due from the Town of Islip	230,822	-	230,822
Due from other governments	13,327	-	13,327
Prepaid expenses	<u>116,148</u>	<u>240,756</u>	<u>356,904</u>
Total current assets	93,073,271	8,284,711	101,357,982
Noncurrent assets - capital assets, net	<u>1,891,159</u>	<u>861,452</u>	<u>2,752,611</u>
Total assets	<u>94,964,430</u>	<u>9,146,163</u>	<u>104,110,593</u>
Deferred outflows of resources:			
Pensions	469,625	910,187	1,379,812
OPEB	<u>1,286,653</u>	<u>3,244,597</u>	<u>4,531,250</u>
Total deferred outflows of resources	<u>1,756,278</u>	<u>4,154,784</u>	<u>5,911,062</u>
Current liabilities:			
Accounts payable and accrued expenses	1,717,235	65,360	1,782,595
Accrued interest on bonds	15,296	-	15,296
Due to the Town of Islip	686,005	111,960	797,965
Due to other governments	240,716	-	240,716
Current portion of noncurrent liabilities	<u>1,665,834</u>	<u>23,199</u>	<u>1,689,033</u>
Total current liabilities	<u>4,325,086</u>	<u>200,519</u>	<u>4,525,605</u>
Noncurrent liabilities			
Landfill closure and post-closure obligation, less current portion	27,656,495	-	27,656,495
Compensated absences, less current portion	232,506	208,795	441,301
Net pension liability	1,983	3,848	5,831
Total OPEB liability	<u>5,459,521</u>	<u>14,293,307</u>	<u>19,752,828</u>
Total noncurrent liabilities	<u>33,350,505</u>	<u>14,505,950</u>	<u>47,856,455</u>
Total liabilities	<u>37,675,591</u>	<u>14,706,469</u>	<u>52,382,060</u>
Deferred inflows of resources:			
Pensions	581,823	1,129,422	1,711,245
OPEB	<u>945,284</u>	<u>752,290</u>	<u>1,697,574</u>
Total deferred inflows of resources	<u>1,527,107</u>	<u>1,881,712</u>	<u>3,408,819</u>
Net position (deficit):			
Net investment in capital assets	1,921,751	861,452	2,783,203
Restricted	2,500,000	-	2,500,000
Unrestricted	<u>53,096,259</u>	<u>(4,148,686)</u>	<u>48,947,573</u>
Total net position (deficit)	<u>\$57,518,010</u>	<u>(3,287,234)</u>	<u>54,230,776</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statements of Net Position
December 31, 2020

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Current assets:			
Cash and equivalents	\$85,497,666	8,102,900	93,600,566
Investments	2,039,682	-	2,039,682
Accounts receivable, net	1,091,446	-	1,091,446
Due from the Town of Islip	212,288	-	212,288
Due from other governments	9,828	-	9,828
Prepaid expenses	<u>120,469</u>	<u>207,004</u>	<u>327,473</u>
Total current assets	88,971,379	8,309,904	97,281,283
Noncurrent assets - capital assets, net	<u>1,878,050</u>	<u>1,095,534</u>	<u>2,973,584</u>
Total assets	<u>90,849,429</u>	<u>9,405,438</u>	<u>100,254,867</u>
Deferred outflows of resources:			
Pensions	369,809	717,200	1,087,009
OPEB	<u>974,510</u>	<u>2,699,586</u>	<u>3,674,096</u>
Total deferred outflows of resources	<u>1,344,319</u>	<u>3,416,786</u>	<u>4,761,105</u>
Current liabilities:			
Accounts payable and accrued expenses	2,236,502	46,316	2,282,818
Accrued interest on bonds	30,234	-	30,234
Due to the Town of Islip	998,324	95,915	1,094,239
Due to other governments	316,851	-	316,851
Current portion of noncurrent liabilities	<u>1,633,952</u>	<u>22,048</u>	<u>1,656,000</u>
Total current liabilities	<u>5,215,863</u>	<u>164,279</u>	<u>5,380,142</u>
Noncurrent liabilities			
Landfill closure and post-closure obligation, less current portion	27,764,338	-	27,764,338
Bonds payable, less current portion	1,280,000	-	1,280,000
Compensated absences	217,873	200,562	418,435
Net pension liability	511,759	993,414	1,505,173
Total OPEB liability	<u>4,845,657</u>	<u>12,597,248</u>	<u>17,442,905</u>
Total noncurrent liabilities	<u>34,619,627</u>	<u>13,791,224</u>	<u>48,410,851</u>
Total liabilities	<u>39,835,490</u>	<u>13,955,503</u>	<u>53,790,993</u>
Deferred inflows of resources:			
Pensions	14,385	27,924	42,309
OPEB	<u>1,033,868</u>	<u>824,800</u>	<u>1,858,668</u>
Total deferred inflows of resources	<u>1,048,253</u>	<u>852,724</u>	<u>1,900,977</u>
Net position (deficit):			
Net investment in capital assets	658,642	1,095,534	1,754,176
Restricted	2,500,000	-	2,500,000
Unrestricted	<u>48,151,363</u>	<u>(3,081,537)</u>	<u>45,069,826</u>
Total net position (deficit)	<u>\$51,310,005</u>	<u>(1,986,003)</u>	<u>49,324,002</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statement of Revenue, Expenses and
Changes in Net Position
Year ended December 31, 2021

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Operating revenue:			
Tipping fees	\$35,892,546	-	35,892,546
Collections	-	2,997,032	2,997,032
Sale of electricity	2,670,900	-	2,670,900
Recycling	159,057	-	159,057
Compost sales	154,568	-	154,568
Rent revenue	213,335	-	213,335
Ash disposal	314,179	-	314,179
Other revenue	286,280	29,206	315,486
	<u>39,690,865</u>	<u>3,026,238</u>	<u>42,717,103</u>
Total operating revenue			
Operating expenses:			
Administrative fees	9,917,630	-	9,917,630
Service fees	12,268,122	-	12,268,122
Ash treatment	3,344,422	-	3,344,422
Intermunicipal tipping fees	210,918	-	210,918
Depreciation	47,925	348,257	396,182
Landfill closure and post-closure costs	324,443	-	324,443
Personal services	727,295	1,251,415	1,978,710
Employee benefits	617,284	2,112,053	2,729,337
Contractual expenses	2,570,783	519,502	3,090,285
Professional fees	128,281	-	128,281
Rent and utilities	764,875	97,561	862,436
Miscellaneous	2,540,936	-	2,540,936
	<u>33,462,914</u>	<u>4,328,788</u>	<u>37,791,702</u>
Total operating expenses			
Operating income (loss)	<u>6,227,951</u>	<u>(1,302,550)</u>	<u>4,925,401</u>
Nonoperating revenue (expense):			
Investment income	25,584	1,319	26,903
Interest expense	(45,530)	-	(45,530)
	<u>(19,946)</u>	<u>1,319</u>	<u>(18,627)</u>
Total nonoperating revenue (expense)			
Change in net position	6,208,005	(1,301,231)	4,906,774
Net position (deficit) at beginning of year	<u>51,310,005</u>	<u>(1,986,003)</u>	<u>49,324,002</u>
Net position (deficit) at end of year	<u>\$57,518,010</u>	<u>(3,287,234)</u>	<u>54,230,776</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statement of Revenue, Expenses and
Changes in Net Position
Year ended December 31, 2020

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Operating revenue:			
Tipping fees	\$34,833,377	-	34,833,377
Collections	-	3,023,979	3,023,979
Sale of electricity	3,436,452	-	3,436,452
Recycling	115,818	-	115,818
Compost sales	205,496	-	205,496
Rent revenue	207,913	-	207,913
Ash disposal	344,162	-	344,162
Other revenue	213,148	55,633	268,781
	<u>39,356,366</u>	<u>3,079,612</u>	<u>42,435,978</u>
Total operating revenue			
Operating expenses:			
Administrative fees	9,938,250	-	9,938,250
Service fees	13,596,585	-	13,596,585
Ash treatment	3,749,745	-	3,749,745
Intermunicipal tipping fees	146,114	-	146,114
Depreciation	62,067	424,399	486,466
Landfill closure and post-closure costs	34,509	-	34,509
Personal services	672,250	1,264,931	1,937,181
Employee benefits	564,412	2,054,402	2,618,814
Contractual expenses	2,871,964	463,669	3,335,633
Professional fees	85,302	-	85,302
Rent and utilities	686,207	94,638	780,845
Miscellaneous	1,855,401	-	1,855,401
	<u>34,262,806</u>	<u>4,302,039</u>	<u>38,564,845</u>
Total operating expenses			
Operating income (loss)	<u>5,093,560</u>	<u>(1,222,427)</u>	<u>3,871,133</u>
Nonoperating revenue (expense):			
Investment income	329,529	32,583	362,112
Interest expense	(29,167)	-	(29,167)
	<u>300,362</u>	<u>32,583</u>	<u>332,945</u>
Total nonoperating revenue			
Change in net position	5,393,922	(1,189,844)	4,204,078
Net position (deficit) at beginning of year	<u>45,916,083</u>	<u>(796,159)</u>	<u>45,119,924</u>
Net position (deficit) at end of year	<u>\$51,310,005</u>	<u>(1,986,003)</u>	<u>49,324,002</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statement of Cash Flows
Year ended December 31, 2021

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$40,096,166	3,026,238	43,122,404
Cash payments:			
Personal services and employee benefits	(1,153,099)	(2,366,594)	(3,519,693)
Goods and services	<u>(33,085,635)</u>	<u>(605,733)</u>	<u>(33,691,368)</u>
Net cash provided by operating activities	<u>5,857,432</u>	<u>53,911</u>	<u>5,911,343</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(61,034)	(114,175)	(175,209)
Principal payments on revenue bonds	(1,250,000)	-	(1,250,000)
Interest payments on revenue bonds	<u>(60,468)</u>	<u>-</u>	<u>(60,468)</u>
Net cash used in capital and related financing activities	<u>(1,371,502)</u>	<u>(114,175)</u>	<u>(1,485,677)</u>
Cash flows from investing activities:			
Proceeds from sale or redemption of investments	1,315,117	-	1,315,117
Purchase of investments	(3,014,113)	-	(3,014,113)
Interest income	<u>25,584</u>	<u>1,319</u>	<u>26,903</u>
Net cash provided by (used in) investing activities	<u>(1,673,412)</u>	<u>1,319</u>	<u>(1,672,093)</u>
Net change in cash and equivalents	2,812,518	(58,945)	2,753,573
Cash and equivalents at beginning of year	<u>85,497,666</u>	<u>8,102,900</u>	<u>93,600,566</u>
Cash and equivalents at end of year	<u>\$88,310,184</u>	<u>8,043,955</u>	<u>96,354,139</u>

(Continued)

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statement of Cash Flows, Continued
Year ended December 31, 2021

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 6,227,951	(1,302,550)	4,925,401
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	47,925	348,257	396,182
Changes in:			
Accounts receivable	427,334	-	427,334
Due from the Town of Islip	(18,534)	-	(18,534)
Due from other governments	(3,499)	-	(3,499)
Prepaid expenses	4,321	(33,752)	(29,431)
Deferred outflows of resources - pensions	(99,816)	(192,987)	(292,803)
Deferred outflows of resources - OPEB	(312,143)	(545,011)	(857,154)
Accounts payable and accrued expenses	(519,267)	19,044	(500,223)
Due to the Town of Islip	(312,319)	16,045	(296,274)
Due to other governments	(76,135)	-	(76,135)
Landfill closure and post-closure obligation	(107,843)	-	(107,843)
Compensated absences	16,515	9,384	25,899
Net pension liability	(509,776)	(989,566)	(1,499,342)
Total OPEB liability	613,864	1,696,059	2,309,923
Deferred inflows of resources - pensions	567,438	1,101,498	1,668,936
Deferred inflows of resource - OPEB	(88,584)	(72,510)	(161,094)
Net cash provided by operating activities	<u>\$ 5,857,432</u>	<u>53,911</u>	<u>5,911,343</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statement of Cash Flows
Year ended December 31, 2020

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$39,117,798	3,079,612	42,197,410
Cash payments:			
Personal services and employee benefits	(992,036)	(2,236,402)	(3,228,438)
Goods and services	<u>(38,831,143)</u>	<u>(673,489)</u>	<u>(39,504,632)</u>
Net cash provided by operating activities	<u>(705,381)</u>	<u>169,721</u>	<u>(535,660)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(904)	(733,418)	(734,322)
Principal payments on revenue bonds	(1,215,000)	-	(1,215,000)
Interest payments on revenue bonds	<u>(89,506)</u>	<u>-</u>	<u>(89,506)</u>
Net cash used in capital and related financing activities	<u>(1,305,410)</u>	<u>(733,418)</u>	<u>(2,038,828)</u>
Cash flows from investing activities:			
Proceeds from sale or redemption of investments	40,424,756	-	40,424,756
Purchase of investments	(39,567,815)	-	(39,567,815)
Interest income	<u>329,529</u>	<u>32,583</u>	<u>362,112</u>
Net cash provided by investing activities	<u>1,186,470</u>	<u>32,583</u>	<u>1,219,053</u>
Net change in cash and equivalents	(824,321)	(531,114)	(1,355,435)
Cash and equivalents at beginning of year	<u>86,321,987</u>	<u>8,634,014</u>	<u>94,956,001</u>
Cash and equivalents at end of year	<u>\$85,497,666</u>	<u>8,102,900</u>	<u>93,600,566</u>

(Continued)

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Supplementary Information
Combining Statement of Cash Flows, Continued
Year ended December 31, 2020

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 5,093,560	(1,222,427)	3,871,133
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	62,067	424,399	486,466
Changes in:			
Accounts receivable	(213,231)	-	(213,231)
Due from the Town of Islip	(25,337)	-	(25,337)
Prepaid expenses	(25,277)	(39,166)	(64,443)
Deferred outflows of resources - pensions	(220,731)	(427,814)	(648,545)
Deferred outflows of resources - OPEB	(228,129)	(584,196)	(812,325)
Accounts payable and accrued expenses	414,412	(25,935)	388,477
Due to the Town of Islip	47,170	(50,081)	(2,911)
Due to other governments	57,025	-	57,025
Landfill closure and post-closure obligation	(6,360,396)	-	(6,360,396)
Compensated absences	38,815	39,078	77,893
Net pension liability	374,475	726,921	1,101,396
Total OPEB liability	477,881	1,227,853	1,705,734
Deferred inflows of resources - pensions	(36,469)	(70,790)	(107,259)
Deferred inflows of resource - OPEB	<u>(161,216)</u>	<u>171,879</u>	<u>10,663</u>
Net cash provided by operating activities	<u>\$ (705,381)</u>	<u>169,721</u>	<u>(535,660)</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Islip Resource Recovery Agency (the Agency), a component unit of the Town of Islip, as of and for the year ended December 31, 2021 and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 29, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 29, 2022

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

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

We have examined the Islip Resource Recovery Agency's (the Agency), a component unit of the Town of Islip, New York, compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York (Section 201.3) during the year ended December 31, 2021. Management is responsible for the Agency's compliance with Section 201.3. Our responsibility is to express an opinion on the Agency's compliance with Section 201.3 based on our examination.

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

In our opinion, the Agency complied in all material respects with Section 201.3 during the year ended December 31, 2021.

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York
March 29, 2022