

ISLIP RESOURCE RECOVERY AGENCY
ANNUAL INVESTMENT REPORT
FYE DECEMBER 31, 2024

1. Investment Guidelines

See Attachment (A) – “Town of Islip Investment Policies” and Investments section of the “Indenture Trust”.

2. Updates to Investment Guidelines

The Authorized Financial Institutions and Dealers for the Town of Islip were reviewed and approved by the Town Board on January 3, 2024. See Attachment (B) – “Updates to Town of Islip Investment Policies”.

3. Explanation of the Investment Guidelines

Operating Funds:

The Town of Islip maintains a consolidated account and temporary investment with a financial institution on behalf of the Agency.

The Agency, which is a blended component unit of the Town of Islip, adheres to the Town’s investment policy. The investment policy allows investments in certificates of deposits, 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).

The Agency invests directly in Federal obligations with financial institutions approved by the Agency’s Board of Directors. The investments are fully collateralized by a trustee agreement with the Town of Islip.

Trustee Managed Funds:

The Agency also invests in Qualified Investments as per the Agency’s Indenture of Trust through Bank of New York Mellon (BNY Mellon), the Trustee.

BNY Mellon shall make these investments at a written request of an Authorized Representative of the Agency. These investments include: (1) U.S. Treasury Bills with maturity of six months, (2) Dreyfus Money Market Accounts, this fund only invests in securities issued or guaranteed as to principal and interest by the U.S. government, and repurchase agreements (including tri-party repurchase agreements) in respect of these securities. (3) Certificates of Deposit properly secured at all times, by collateral security. These CD’s can be bought or sold in the secondary markets at fair value.

4. Annual Independent Audit Report

See Attachment (C) – “Independent Accountants’ Report on Investment Compliance”.

5. Investment Income of the Agency

\$4,999,729 which includes \$561,496 (Trustee Managed Funds) of interest for investments on U.S. Treasury Bills, Money Market Accounts, and CD’s through Bank of New York Mellon as the Trustee of the Agency.

6. Fees, Commissions and Charges Paid to Investment Bankers, Etc.

- Bank of New York Mellon Admin Fee - \$0.
- Bank of New York Mellon Trustee Fee - \$0.

TOWN OF ISLIP INVESTMENT POLICY

I SCOPE

This investment policy applies to all monies and other financial resources available for investment on its own behalf or on behalf of an other entity or individual.

II OBJECTIVES

The primary objectives of the Town of Islip's investment activities are, in priority order:

- A) to conform with all applicable Federal, State and other legal requirements;
- B) to adequately safeguard principal;
- C) to provide sufficient liquidity to meet all operating requirements; and
- D) to obtain a reasonable rate of return.

III DELEGATION OF AUTHORITY

The Town Board's responsibility for administration of the investment program is delegated to the Chief Fiscal Officer, who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments transaction dates, and other relevant information and regulate the activities of subordinate employees.

IV PRUDENCE

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Town of Islip.

Investments shall be made with judgement and care under circumstances then prevailing. Investments shall be the type which would be made by persons of prudence, discretion, and intelligence in the exercise in the management of their own affairs. Investments shall not be made for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions.

V DIVERSIFICATION

It is the policy of the Town of Islip to diversify, when appropriate, its deposits and investments, by financial institution, by investment instruments, and by maturity schedule.

VI INTERNAL CONTROLS

All monies collected by an office or employee of the Town shall be expeditiously transferred to the Chief Fiscal Officer certainly within the time period specified by law.

The Chief Fiscal Officer is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

VII DESIGNATION OF DEPOSITORIES

The designation of banks and/or trust companies as depositories with the Town of Islip are selected via Resolution at the annual Town Board Meeting. That Resolution is to be made part and parcel of this agreement.

VIII COLLATERALIZING OF DEPOSITS

All public deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act as now, or hereafter, amended shall be secured in accordance with this subdivision.

In accordance with the provisions of General Municipal Law (GML), Section 10, all public deposits of the Town of Islip, including certificates of deposit and special time deposits shall be secured by:

- A) Provisions of Federal Deposit Insurance Act to the extent available, or
- B) By a pledge of "*eligible securities*" as denominated in Appendix A attached hereto having in the aggregate "*market value*" equal to at least 102% of the aggregate amount of public deposits, or 100% of the aggregate amount of public deposits, if pledged securities are marked to market on a daily basis, or
- C) By an eligible surety bond payable to the government for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations, if permitted by

the General Municipal Law of the State of New York.

Eligible securities used for collateralizing deposits shall be held by a third party bank or trust company subject to security and custodial agreements.

The security agreement and custodial agreement may be the same agreement. However, the bank or trust company holding deposits, shall not also hold the collateral for the local government. The security agreement shall provide that such eligible securities are being pledged by the bank or trust company as security for the public deposits, together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposit upon a default. The security agreement shall also provide for the conditions under which the securities held maybe sold, presented for payment, substituted or released and shall specify the events of default which would allow the local government to exercise its rights against the pledged securities. Unless registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the local government or the bank or trust company with which the local government entered into a written custodial agreement.

The custodial agreement shall provide that the pledged securities will be held by the custodial bank or trust company as agent of, and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or liabilities and it shall also provide for the manner in which the custodial bank or trust company shall confirm the receipt, substitution or release of the collateral.

Such agreement shall provide for the frequency of revaluation of collateral by the custodial bank or trust company and the substitution of collateral when a change in the rating of a security causes ineligibility pursuant to Appendix A attached hereto. Such agreement shall include all provisions deemed necessary and sufficient to secure in a satisfactory manner the local government's perfected interest in the collateral. Such agreement may also contain such other provisions as the governing board may deem necessary.

Whenever eligible securities are delivered to a custodial bank or trust company pursuant to this paragraph or transferred by entries on the books of a federal reserve bank or other book-entry system operated by a federally regulated entity without physical delivery of the evidence of such obligations, the records of the custodial bank or trust company shall show, at all times, the interest of the local government in such securities as set forth in the security agreement.

Statements indicating the market value of "*eligible securities*" held by the third party custodian for the Town of Islip must be submitted to the Town of Islip on a monthly basis.

IX PERMITTED INVESTMENTS

The Town of Islip authorizes the Chief Fiscal Officer to invest monies not required for immediate expenditure or for terms not to exceed its projected cash flow needs in the following types of investments which are amongst those permitted by GML, Section 11:

- * Certificate of Deposit by a bank or trust company authorized to do business in New York State designated by resolution of the Town Board.

- * Time Deposit accounts in a bank or trust company authorized to do business in New York State designated by resolution of the Town Board.
- * Obligations of the United States.
- * Obligations of the State of New York.
- * Repurchase agreements as defined XII INFRA.
- * Obligations of agencies of the United States when principal and interest is guaranteed by the United States.

All investments obligations shall be payable or redeemable of the Town of Islip, within such times as the proceeds will be needed to meet expenditures for purposes of which monies were provided. Obligations purchased with the proceeds of bonds or notes shall be payable or redeemable at the option of the Town of Islip within two years from date of purchase.

X AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Town of Islip shall maintain a list of Banks and Dealers approved for investment purposes. All such institutions must be credit worthy. Inclusion on the list will require that Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Town of Islip, and that Security Dealers not affiliated with a bank, classified as reporting dealers affiliated with the Federal Reserve Bank located in New York, as primary dealers. The Chief Fiscal Officer is responsible for evaluating the financial position and maintaining a list of proposed depositories, trading partners, and custodians. Such listing shall be evaluated periodically.

XI PURCHASE OF INVESTMENTS

The Chief Fiscal Officer or his designee is authorized to contract for the purchase of investments:

- 1) Directly, including through a repurchase agreement from an authorized trading partner.
- 2) By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5-G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46 and the specific program has been authorized by the Town Board.
- 3) By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the Town Board.

EXHIBIT A
INVESTMENT POLICY
OF THE ISLIP RESOURCE RECOVERY AGENCY

This Investment Policy of the Islip Resource Recovery Agency (the "Agency") shall apply to all operating funds, and other funds and all investment transactions involving operating funds, proceeds and other funds accounted for in the financial statements of the Agency. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy. This Investment Policy is intended to comply with the General Municipal Law, the Public Authorities Law, and any other applicable Federal, State and Local Laws.

DELEGATION OF AUTHORITY.

The responsibility for conducting investment transactions involving the Agency resides with the Chief Financial Officer of the Agency under the direction and oversight of the President of the Agency. Only the Chief Financial Officer and those authorized by resolution or the Agency's By-laws may invest public funds.

All contracts or agreements with outside persons investing public funds, advising on the investment of public funds, directing the deposit of funds or acting in a fiduciary capacity for the Agency, shall require the outside person to notify the Agency in writing, within thirty (30) days of receipt of all communication from its auditor of the outside person or any regulatory authority, of the existence of material weakness in the internal control structure of the outside person or regulatory orders or sanctions regarding the type of services being provided to the Agency by the outside person.

The records of investment transactions made by or on behalf of the Agency are public records and are the property of the Agency whether in the custody of the Agency or in the custody of a fiduciary or other third party.

The Chief Financial Officer of the Agency under the direction and oversight of the President shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of public funds, to document those officers and employees of the Agency responsible for elements of the investment process and to address the capability of investment management. The controls shall provide for receipt and review of the audited financial statements and related reports on internal control structure of all outside persons performing any of the following for the Agency:

- (i) investing public funds of the Agency;
- (ii) advising on the investment of public funds of the Agency;
- (iii) directing the deposit or investment of public funds of the Agency; or
- (iv) acting in a fiduciary capacity for the Agency.

February 8, 2022

WHEREAS, the Islip Resource Recovery Agency (the "Agency") is a public authority under New York Law and subject to the Public Authorities Accountability Act of 2005, as amended (the "PAAA"); and

WHEREAS, the New York State Legislature adopted the PAAA, designed to ensure that New York's public authorities operate more efficiently, more openly, and with greater accountability; and

WHEREAS, the PAAA, requires all public authorities within the state of New York to adopt an Investment Policy; and

NOW, THEREFORE, on a motion of Councilperson Cochrane, seconded by Councilperson O'Connor, be it hereby

BE IT RESOLVED, the Agency adopts a policy entitled Investment Policy of the Islip Resource Recovery Agency, as attached to this resolution, in compliance with the Act.

UPON A VOTE being taken, the result was: 5/0

A bank, savings and loan association or credit union providing only depository services shall not be required to provide an audited financial statement and related report on its internal control structure.

OBJECTIVES.

The primary objectives, in order of priority, of all investment activities involving the financial assets of the Agency shall be the following:

- (i) Safety: Safety and preservation of principal in the overall portfolio is the foremost investment objective;**
- (ii) Liquidity. Maintaining the necessary liquidity to match expected liabilities and expenses is the second investment objective;**
- (iii) Return: Obtaining a reasonable return is a third investment objective.**

OPERATIVE POLICY.

The Agency shall conduct its investment activities involving all operating funds, and other funds and all investment transactions involving operating funds, and other funds accounted for in the financial statements of the Agency in a manner that complies with the General Municipal Law and the Public Authorities Law of New York State.

Prior to making an investment of any operating funds and other funds of the Agency, other than those associated with a bank, savings and loan association or credit union involving a depository relationship only, the Agency shall obtain at least three (3) bids and award the contract to the most responsible bidder whose bid most closely meets the objectives of this Investment Policy.

The Chief Financial Officer, the President and all officers and employees of the Agency involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Nothing contained within this Policy however, shall prohibit the Chief Financial Officer, the President, or any other officer or member of the Board, or employee of the Agency from obtaining interests in mutual funds which may include within its investment portfolio, bonds, debentures, notes or other evidence of indebtedness of the Agency; provided however, that the Agency's bonds, debentures, notes or other evidence of indebtedness may not make up more than ten percent (10%) of the mutual fund's total portfolio and the Chief Financial Officer, the President, other officers or Board Members, or employees may not exercise any discretion with respect to the investments made by the mutual fund company.

The Chief Financial Officer shall submit to the Board an investment report that summarizes recent market conditions and investment strategies employed since the last investment report. The report shall set out the current portfolio in terms of maturity, rates of return and other features and summarize all investment transactions that have occurred during the reporting period and compare the investment results with budgetary expectations, if any.

This Investment Policy shall be reviewed and approved annually.

ISLIP RESOURCE RECOVERY AGENCY

to

THE BANK OF NEW YORK,
as Trustee

INDENTURE OF TRUST

Dated as of December 1, 1985.

Resource Recovery System Revenue Bonds

"Project Service Fees" means, with respect to the 1985 Facility, the Service Fee (1985 Facility), and, with respect to any other Project, any other like service fees payable by or on behalf of the Agency to a Project Operator.

"Qualified Investments" means any of the following:

(i) direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(ii) bonds, debentures or notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies whose obligations represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Farmer's Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Authority, Government National Mortgage Association;

(iii) certificates of deposit properly secured at all times, by collateral security described in (i) or (ii) above. Such agreements are only acceptable with commercial banks, savings and loans associations, and mutual savings banks;

(iv) the following investments fully insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of a bank, savings and loan associations, and mutual savings banks.

(v) Investment Agreements approved by the Bond Insurer. ①

The value of the above investments shall be determined as follows:

"Value", as of any particular time of determination, means the value of any investments and shall be calculated as follows:

(w) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

payment date on the 1985 Facility Bonds shall be transferred to the Other Lessee Payments Account (1985 Facility). Computations of the Rebate Amount shall be furnished in writing to the Trustee by the Lessee (1985 Facility) in accordance with Section 7.3 of the Tax Regulatory Agreement (1985 Facility), and the Trustee may conclusively rely on such computation. Any amounts on deposit in the 1985 Facility Account of the Earnings Fund following the transfers to the 1985 Facility Account of the Rebate Fund required by this Section shall be deposited to the Construction Account (1985 Facility) of the Project Fund prior to the Full Service Date (1985 Facility), and to the Interest Sub-Account (1985 Facility) of the Debt Service Account (1985 Facility) subsequent to the Full Service Date (1985 Facility). The Trustee shall pay to the United States from the 1985 Facility Account of the Rebate Fund the amounts described in Section 7.4 of the Tax Regulatory Agreement (1985 Facility) at such times, in such manner and at such address as shall be provided to it in writing by the Lessee (1985 Facility).

Section 5.12. Application of Moneys in Certain Funds for Retirement of Bonds. (A) Notwithstanding any other provisions of this Indenture, if at any time the amounts held in the applicable Sub-Accounts of the Debt Service Account (1985 Facility) and of the 1985 Facility Account of the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price, as the case may be, of all Outstanding 1985 Facility Bonds and the interest accruing on the 1985 Facility Bonds, to the next date on which such 1985 Facility Bonds are redeemable or payable, as the case may be, whichever is earlier, the Trustee shall so notify the Agency and the Lessee (1985 Facility). Upon receipt of written instructions from the Lessee (1985 Facility) directing such redemption, the Trustee shall proceed to redeem all such Outstanding 1985 Facility Bonds in the manner provided for redemption of 1985 Facility Bonds by this Indenture.

Section 5.13. Investment of Funds and Accounts. (A) Amounts in any Fund, Account or Sub-Account established under this Indenture, other than the EQBA Fund (1985 Facility) and the EQBA Interest Account (1985 Facility), shall, if and to the extent then permitted by law, be invested in Qualified Investments, at the written direction of the Agency or the Lessee (1985 Facility) as hereinafter in paragraphs (C) and (D) provided. The Trustee may make any and all such investments from or through its own bond department.

(B) Any investment herein authorized is subject to the condition that no portion of the proceeds derived from the sale of any Series of Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 103(c) of the Code. In particular,

unexpended proceeds of any Series of 1985 Facility Bonds transferred from the Project Fund to the Redemption Sub-Account (1985 Facility) of the Debt Service Account (1985 Facility) pursuant to Section 5.2 hereof may not be invested at a yield which is greater than the yield on the applicable Series of 1985 Facility Bonds.

(C) All investments of amounts in the Company Replacement Fund (1985 Facility), the Operating Reserve Account (1985 Facility), the Tipping Fees Sub-Account (1985 Facility), the 1985 Facility Account of the Debt Service Reserve Fund and the Other Agency Receipts Sub-Account (1985 Facility), shall be made by the Trustee at the written request of an Authorized Representative of the Agency.

(D) All investments of amounts in the Payment Security Fund (1985 Facility), the Capitalized Interest Account (1985 Facility), the Construction Account (1985 Facility), the Construction Retainage Account (1985 Facility), the Equity Account (1985 Facility), the Interest Sub-Account (1985 Facility), the Principal Sub-Account (1985 Facility), the Redemption Sub-Account (1985 Facility), the Sinking Fund Installment Sub-Account (1985 Facility), the Energy Revenues Sub-Account (1985 Facility), the Recovered Materials Revenues Sub-Account (1985 Facility), the 1985 Facility Account of the Earnings Fund, the 1985 Facility Account of the Rebate Fund, the Loss Event Receipts Sub-Account (1985 Facility), the Base Fee Account (1985 Facility), the Energy Payments Account (1985 Facility), the Recovered Materials Payments Account (1985 Facility), the Other Lessee Payments Account (1985 Facility) and the 1985 Facility Account of the Renewal Fund shall be made by the Trustee at the written request of an Authorized Representative of the Lessee (1985 Facility).

(E) All such investments shall mature in such amounts and at such times as shall be necessary to provide funds when needed to make payments from the particular Fund, Account or Sub-Account.

(F) Three (3) days prior to each rental payment date under Section 3.3 of the Lease Agreement (1985 Facility) with respect to the 1985 Facility Bonds, the Trustee shall notify the Lessee (1985 Facility) and the Agency of the amount of such net investment income or gain received and collected or losses suffered subsequent to the last such payment and the amount then available in the Interest Sub-Account (1985 Facility), Principal Sub-Account (1985 Facility) and Sinking Fund Installment Sub-Account (1985 Facility) of the Debt Service Account (1985 Facility).

(G) Until receipt of advice from the Commissioner to the contrary, amounts in the EQBA Fund (1985 Facility) (other than in the EQBA Interest Account (1985 Facility) thereof), shall, if and to the extent then permitted by law, and subject to paragraph (B) above, be invested in investments permitted under Section 98-a of the New York State Finance Law. The Trustee may make any and all such investments from or through its own bond department. All investments shall be made by the Trustee at the written request of an Authorized Representative of the Lessee (1985 Facility), except that the Trustee may at any time sell or otherwise reduce to cash a sufficient amount of such investments whenever the cash balance in the EQBA Fund (1985 Facility) is insufficient for the purposes thereof. Any such investments shall be held by or under control of the Trustee and shall be deemed at all times a part of the EQBA Fund (1985 Facility). Such investments of amounts in the EQBA Fund (1985 Facility) shall mature in such amounts and at such times as may, in the reasonable judgment of such Authorized Representative of the Lessee (1985 Facility) be necessary to provide funds when needed to make payments from such Fund. Net income or gain received or losses derived from such investments shall be credited or charged, as the case may be, to the EQBA Interest Account (1985 Facility). Amounts in the EQBA Interest Account (1985 Facility) shall not be invested.

(H) In computing the value of the assets of the separate Funds, Accounts and Sub-Accounts under this Indenture, investments shall be valued at par or market bid price, whichever is lower, or at the redemption price thereof, if then redeemable at the option of the holder.

(I) Notwithstanding any provision of this Indenture to the contrary, the Operating Reserve Account (1985 Facility) shall not be invested at a yield greater than the yield on the 1985 Facility - Series A Bonds.

(J) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds, Accounts or Sub-Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds, Accounts and Sub-Accounts as may be required from time to time pursuant to the provisions of this Article. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency and the relevant Project Operator.

(K) In the case of the Operating Reserve Account (1985 Facility) of the General Reserve Fund and the 1985 Facility

Account of the Debt Service Reserve Fund (1) "Deficiency" has the meaning set forth in Section 1.1 hereof, and (2) "Surplus" means the amount by which the amount on deposit therein is in excess of the Operating Reserve Account Requirement (1985 Facility) or the Debt Service Reserve Fund Requirement with respect to the 1985 Facility Bonds, as the case may be. Upon any withdrawal from the Operating Reserve Account (1985 Facility) of the General Reserve Fund or the 1985 Facility Account of the Debt Service Reserve Fund, and on the Business Day preceding each interest payment date on the 1985 Facility Bonds, and at such other times (not more than twice in any Bond Year) as the Trustee may select, the Trustee shall compute the value of the assets on deposit in the Operating Reserve Account (1985 Facility) of the General Reserve Fund and the 1985 Facility Account of the Debt Service Reserve Fund (the "Valuation Date") in accordance with paragraph (H) above. If on any such Valuation Date a Deficiency exists, the Trustee shall notify the Agency and the Lessee (1985 Facility) of such Deficiency and, in the event such Deficiency is not remedied pursuant to a transfer of moneys from the Redemption Sub-Account (1985 Facility) of the Debt Service Account (1985 Facility) pursuant to Sections 5.7(G) and 5.7(H) hereof, shall specify the dates by which payments are to be made by the Agency with respect to such Deficiency. If a Surplus exists, the Trustee shall notify the Lessee (1985 Facility) and the Agency thereof and shall transfer an amount equal to such Surplus to the Interest Sub-Account (1985 Facility) of the Debt Service Account (1985 Facility).

(L) The Trustee shall not be liable for any loss arising from, or any depreciation in the value of any obligations in which moneys of the Funds, Accounts or Sub-Accounts shall be invested in accordance with this Indenture. The investments authorized by this Section 5.13 shall at all times be subject to the provisions of applicable law, as amended from time to time.

Section 5.14. Application of Certain Moneys. (A) The Trustee shall apply moneys received pursuant to the Guaranty and Security Agreement (1985 Facility) in accordance with Section 8.1(F) hereof.

Section 5.15. Non-presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, and funds sufficient to pay any such Bond shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, and if, in the case of any redemption, notice of such redemption shall have been given as provided in Section 6.3 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Agency to the Holder or Holders thereof for

Articles. At the time of any consent or other action taken under such Articles, the Agency and each Project Operator shall furnish the Trustee a certificate of an Authorized Representative of the Agency and such Project Operator, upon which certificate the Trustee may rely, describing all Bonds so to be excluded.

IN WITNESS WHEREOF, the Islip Resource Recovery Agency has caused these presents to be signed in its name and behalf by an Authorized Representative and its official seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, and to evidence its acceptance of the trusts hereby created The Bank of New York has caused these presents to be signed and sealed in its name and behalf by its duly authorized officers, as of the date first above written.

(SEAL)

ISLIP RESOURCE RECOVERY AGENCY

ATTEST:

By *Rimas J. Giedraitis*

Name: *Rimas J. Giedraitis*
Authorized Representative

Filomena Nappa

Name: *Filomena Nappa*
Secretary

(SEAL)

THE BANK OF NEW YORK,
as Trustee

ATTEST:

By *Mark J. Sweeney*

Name:
Title: *VICE PRESIDENT*

[Signature]

Name:
(Assistant) Secretary

All purchased obligations unless registered or inscribed in the name of the local government, shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligations shall be purchased, sold, or presented for redemption or payment by such bank or trust company only in accordance with written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Town of Islip by the bank or trust company. Any obligations held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in GML, Section 10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of, and custodian for, the local government will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with, or become part of, the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the local government with a perfected interest in the securities.

The Town of Islip will encourage the purchase and sale of securities and certificates of deposit through a competitive or negotiated process including telephone solicitations of at least three (3) bids for each transaction.

At the time independent auditors conduct the annual audit of the accounts and financial affairs of the Town of Islip, the independent auditors shall audit the investments of the Town of Islip for compliance with the provisions of these investment guidelines.

XII REPURCHASE AGREEMENTS

When repurchase agreements have a term of two (2) business days or more, the seller shall transfer to the buyer securities having a value of, at least, One Hundred Five percent (105%) of the funds to be transferred by the buyer to the seller. For these repurchase agreements a value of, at least, One Hundred Five percent (105%) of the funds to be transferred by the buyer to the seller shall be the "*Buyer's Margin Amount*". Throughout the term of the agreement, upon the buyer's demand, the seller shall be required to transfer to the buyer such additional securities or funds as may be required to insure that all the securities transferred to the buyer shall have a value equal to the Buyer's Margin Amount. Throughout the term of the agreement, upon the seller's demand, the buyer shall be required to transfer back to the seller such additional securities or funds as are not required to insure that all the securities transferred to the buyer shall have a value equal to the Buyer's Margin Amount.

When repurchase agreements have an overnight term, the seller shall transfer to the buyer securities having a value of, at least, One Hundred Two percent (102%) of the funds to be transferred by the buyer to the seller. For these repurchase agreements a value of, at least, One Hundred Two percent (102%) of the funds to be transferred by the buyer to the seller shall be the "*Buyer's Margin Amount*".

Every repurchase agreement shall provide that all payments and transfers shall be made through a bank or trust company authorized to do business in the State of New York or a primary reporting dealer. Funds transfers serving as payment for securities in accordance with repurchase agreements shall not occur prior to the delivery of the securities in such manner as provided for herein. Securities shall be delivered by one of the following methods:

- A) delivery to the Town of Islip.
- B) delivery to an authorized bank or trust company, other than the selling bank or trust company for a separate account entitled "*Town of Islip*" and subject to withdrawal only upon order of the Chief Fiscal Official or other Fiscal Officer of the Town designated by Chief Fiscal Official of the Town of Islip (Treasury Direct Registration is permitted); or
- C) by registering the securities by Treasury Direct Registration at a Federal Reserve Bank and the transfer of the securities on the records of the Federal Reserve Bank to the custody bank or trust company in accordance with B.

Obligations of the United States of America are the only securities which may be the subject of an overnight repurchase agreement.

Repurchase agreements shall be limited to a term of thirty (30) days or less. The buyer or its agent shall not release funds for the purchase of securities subject to a repurchase agreement until the buyer or its agent has received all such securities having value equal to the buyer's margin amount.

Individual repurchase agreements must incorporate, by reference, an executed master repurchase agreement between the buyer and a seller properly designated by the buyer's Town Board.

APPENDIX A
SCHEDULE OF ELIGIBLE SECURITIES

- 1) Obligations issued by the United States of America, that are fully insured, or guaranteed by the United States of America.
- 2) Obligations issued by an Agency of the United States of America, or a corporation sponsored by the United States of America, only if such obligations are fully insured or guaranteed as to payment of principle and interest by the United States of America.
- 3) Obligations issued by New York State that are fully insured, or guaranteed by New York State as to payment of principle and interest.
- 4) Obligations issued by New York State Municipal Corporation, school district, or district corporation that are fully insured or guaranteed as to payment of principle and interest by the State of New York.
- 5) Obligations issued by a New York State public benefit corporation which under a specific New York State statute may be accepted as security for deposit of public monies if such obligations is fully insured or guaranteed as to the payment of principle and interest by the State of New York.

Attachment B

January 3, 2024
No. 15

On a motion of Councilperson James P. O'Connor,
seconded by Councilperson John M. Lorenzo be it

RESOLVED, that during 2024 the duties of the Supervisors' Account Section (receipts, disbursements, banking, short and long term borrowing, investments, and budgetary matters) be and are hereby now the duties of the Comptroller, who shall be responsible to the Supervisor as the Chief Fiscal Officer.

Upon a vote being taken, the result was: unanimous

January 3, 2024
No. 16

On a motion of Councilperson Norge Guadrón,
seconded by Councilperson Michael McElwee, Jr., be it

RESOLVED, that the Town Board's responsibility for administration of the investment program is delegated to the Town Comptroller, who shall be responsible to the Supervisor as Chief Fiscal Officer, to invest monies, designate banks and/or trust companies as depositories with the Town of Islip, and hereby be authorized to contract for the purchase of investments, and be it further

RESOLVED, that the attached Investment Policy is hereby adopted.

UPON a vote being taken, the result was: **unanimous**

January 3, 2024
No. 18

On a motion of Councilperson Jorge Guadron,
seconded by Councilperson Michael McElwee, Jr. be it

RESOLVED, that Supervisor of the Town of Islip, as Chief Fiscal Officer of said Town of Islip and JOSEPH LUDWIG, as Town Comptroller, be and are hereby authorized to invest idle funds of the Town of Islip for the year 2024 pursuant to Section 11 of the General Municipal Law.

Upon a vote being taken, the result was: **unanimous**

January 3, 2024
No. 21

On a motion of Councilperson Jorge Guadron, seconded by
Councilperson John M. Lorenzo be it

RESOLVED, that the following banks or trust companies operating within the Town of Islip be and they are hereby designated as depositories of Town of Islip funds for 2024 and that the Supervisor may designate branches of these banks or trust companies where Town of Islip funds are to be deposited:

JP Morgan Chase	556 Main Street Islip, NY 11751
M&T Bank	350 Park Avenue New York, NY 10022
Citibank, N.A.	77 East Main Street Bay Shore, NY 11706
Flushing Bank	1707 Veterans Highway Islandia, NY 11749
First National Bank of Long Island	10 Glen Head Road Glen Head, NY 10601
Webster Bank	360 Hamilton Avenue 7 th Floor White Plains, NY 11747
Dime	898 Veterans Memorial Highway Suite 560 Hauppauge, NY 11788
TD Bank	6 Main Street East Islip, NY 11730
Hanover Bank	80 East Jericho Turnpike Mineola, NY 11501

Bank United	445 Broad Hollow Road Suite 140 Melville, NY 11747
Flagstar Bank	58 S. Service Road Melville, NY 11747
NYCLASS	2529 Route 52 Suite 202 Hopewell Junction, NY 12533
Modern Bank	410 Park Avenue New York, NY 10022

and be it further

RESOLVED, that the Supervisor is authorized to enter into agreements with the above banks and trust companies, and to amend such agreements from time to time, which agreements provide for the ordinary and necessary banking service incident to acting as a depository; and be it further

RESOLVED, that the Supervisor is authorized to enter into agreements with the banks and trust companies designated by the above mentioned financial institutions to serve as a custodial bank holding collateral to secure deposits of Town of Islip funds held by these institutions; and be it further

RESOLVED, that the preceding three paragraphs be made part and parcel of Section VII Designation of Depositories in the Investment Policy for the Town of Islip

Upon a vote being taken, the result was: **unanimous**

Attachment C

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

**SCHEDULE OF CASH AND INVESTMENTS
(WITH INDEPENDENT AUDITORS' REPORT)**

Year Ended December 31, 2024

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Independent Auditors' Report

Board of Directors
Islip Resource Recovery Agency
Islip, New York

Report on the Audit of the Schedule of Cash and Investments

Opinion

We have audited the Schedule of Cash and Investments (the "Schedule") of the Islip Resource Recovery Agency (the "Agency"), a component unit of the Town of Islip, as of December 31, 2024, and the related notes.

In our opinion, the accompanying Schedule of Cash and Investments and related notes referred to above presents fairly, in all material respects, the cash and investments of the Agency as of December 31, 2024, 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 Schedule. 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 opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is 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 Schedule.

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 Schedule, 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 Schedule.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025 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 with respect to the Schedule. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance with respect to the Schedule.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Hauppauge, New York
March 26, 2025

ISLIP RESOURCE RECOVERY AGENCY

SCHEDULE OF CASH AND INVESTMENTS

	<u>December 31, 2024</u>
Cash and cash equivalents	<u>\$ 117,027,090</u>
Total cash and cash equivalents	<u><u>\$ 117,027,090</u></u>

ISLIP RESOURCE RECOVERY AGENCY

NOTES TO SCHEDULE OF CASH AND INVESTMENTS Year Ended December 31, 2024

A. ORGANIZATION

The Islip Resource Recovery Agency (the Agency) was authorized by the New York State (the State) Legislature and established by a referendum approved by a majority of the Town of Islip's (the Town) voters in 1982 as a body corporate and politic constituting a public benefit corporation and a public authority of the State pursuant to the Islip Resource Recovery Agency Act (the Act). The Agency is governed by a five-member Board of Directors comprised, ex-officio, of the five members of the Board of the Town and is considered a component unit of the Town.

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

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

The Agency is a component unit of the Town, the primary reporting entity, under the criteria set forth in Governmental Accounting Standards Board ("GASB") pronouncements. The basic, but not the only criterion for inclusion in the Town's financial statements is that the Town is ultimately accountable for the Agency because it appoints the Board of Directors, the governing body of the Agency, and there is a potential for the Agency to provide specific financial benefits to, or impose financial burdens on, the Town.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH, 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.

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.

ISLIP RESOURCE RECOVERY AGENCY

NOTES TO SCHEDULE OF CASH AND INVESTMENTS Year Ended December 31, 2024

C. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town maintains a consolidated account and temporary investments with a financial institution on behalf of the Agency. The amount held by the Town on behalf of the Agency was \$105,312,862 as of December 31, 2024. The Agency's other cash and equivalents consist of deposit accounts and money market mutual funds.

The Agency's cash equivalents consist exclusively of money market funds as of December 31, 2024. 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 AAAm rating by S&P and a AAA-mf by Moody's as of December 31, 2024.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Schedule of Cash and Investments Performed in Accordance With
Government Auditing Standards**

Independent Auditors' Report

Board of Directors
Islip Resource Recovery Agency
Islip, New York

We have audited, in accordance with the 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 Schedule of Cash and Investments of the Islip Resource Recovery Agency (the "Agency") as of December 31, 2024 and the related notes to the Schedule of Cash and Investments, and have issued our report thereon dated March 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule of Cash and Investments, 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 Schedule of Cash and Investments, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's Schedule of Cash and Investments is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, investment policies established by the Agency and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the Schedule of Cash and Investments. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Hauppauge, New York
March 26, 2025