

**ISLIP RESOURCE RECOVERY AGENCY
A COMPONENT UNIT OF THE TOWN OF ISLIP**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(WITH INDEPENDENT AUDITORS' REPORT)**

Year Ended December 31, 2024

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

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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 business-type activities 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, 2024, and the related notes to the 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 business-type activities of the Agency, as of December 31, 2024, and the changes in financial position and cash flows thereof 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 Auditor's 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 opinion.

Emphasis of Matter

We draw attention to Note 12 in the notes to financial statements which discloses the effects of a prior period adjustment due to correction of an error. Our opinion is not modified with respect to this matter.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the management's discussion and analysis, schedule of changes in total other postemployment benefits liability and related ratios, schedule of proportionate share of the net pension liability/(asset), and schedule of pension contributions 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.

Board of Directors
Islip Resource Recovery Agency
Islip, New York

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements (as listed in the table of contents) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 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. 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 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.

PKF O'Connor Davies, LLP

Hauppauge, New York
March 26, 2025

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

This section presents management's analysis of the Islip Resource Recovery Agency (the "Agency"), a component unit of the Town of Islip, New York (the "Town") financial condition and activity for the year ended December 31, 2024. Please read this information in conjunction with the financial statements and related notes.

Financial Highlights

- As of December 31, 2024, the Agency's total assets and deferred outflows of resources increased by \$1,622,711 or 1.30%.
- The assets and deferred outflows of the Agency exceeded its liabilities and deferred inflows at the close of 2024 by \$71,604,347 (net position).
- Operating revenues for the year ended December 31, 2024 were \$40,387,322, and operating expenses were \$41,846,012, resulting in an operating loss of \$1,458,690, before non-operating revenue.
- Non-operating revenues for the year ended December 31, 2024 were \$4,999,729.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the financial statements, and required supplementary information. The financial statements presented include all of the activities of the Agency:

- The financial statements present the financial picture of the Agency, which is an enterprise type fund and, accordingly, reflect business-type activities. These statements include total assets and deferred outflows of resources of the Agency as well as liabilities, deferred inflows of resources and net position.
- The notes to the financial statements provide additional information that is essential to have a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the financial statements.
- The statement of net position and statement of revenues, expenses, and changes in net position report information about the Agency as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Agency using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are then taken into account regardless of when cash is received or paid. These two statements report the Agency's net position and changes in net position.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

Summary of Organization and Business *(continued)*

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.

Financial Analysis of the Agency

A summary of the Agency's condensed statement of net position at December 31st is presented as follows:

Condensed Statements of Net Position

	2024	2023 *
Assets		
Current assets	\$ 118,965,934	\$ 115,530,411
Non-current assets	2,470,830	2,558,400
Capital assets, net	3,180,698	3,473,157
Total assets	124,617,462	121,561,968
Deferred outflow of resources	2,058,745	3,491,528
Liabilities		
Current Liabilities	7,233,690	6,172,689
NonCurrent Liabilities	39,866,760	42,412,376
Total liabilities	47,100,450	48,585,065
Deferred inflow of resources	7,971,410	8,405,123
Net Position		
Net Investment in capital assets	3,180,698	3,473,157
Restricted	2,500,000	2,500,000
Unrestricted	65,923,649	62,090,151
Total net position	\$ 71,604,347	\$ 68,063,308

*As restated

The Agency's assets and deferred outflows of resources on December 31, 2024 were \$126,676,207, an increase of \$1,622,711 from the prior year. Total liabilities and deferred inflows of resources were \$55,071,860, a decrease of \$1,918,329. The result is a net position of \$71,604,347. Of the Agency's net position, \$3,180,698 was the investment in capital assets, while \$2,500,000 was restricted. Unrestricted net position was \$65,923,649 at December 31, 2024. The increase in net position of \$3,541,039 is attributable to investment income of \$4,999,729 exceeding operating loss of \$1,458,690.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

Financial Analysis of the Agency (continued)

Condensed Statements of Revenue, Expenses and Changes in Net
Position

	Years Ended December 31,	
	2024	2023
Operating revenue		
Tipping fees	\$ 33,079,617	\$ 33,785,088
Collections	3,010,327	3,006,011
Sale of electricity	3,051,621	3,071,851
Ancillary revenue	1,245,757	3,407,451
Total operating revenue	40,387,322	43,270,401
Operating expense	41,846,012	39,611,489
Operating (loss) income	(1,458,690)	3,658,912
Nonoperating revenue	4,999,729	4,336,386
Change in net position	3,541,039	7,995,298
Net position at beginning of year	68,063,308 *	60,068,010
Net position at end of year	\$ 71,604,347	\$ 68,063,308

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. The Agency's year 2024 operating revenues total \$40,387,322, which is 6.6% lower than year 2023. Ancillary revenue decreased due to the Agency receiving a \$2,000,000 grant in 2023.

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. The Agency's primary expenses include service fees, administrative fees, ash treatment, personal services, contractual expenses and employee benefits. In 2024 total operating expenses increased by \$2,234,523 or 5.34%. The increase is a result of an increase in service fees for waste removal and recycling, contractual expenses and administrative fees due to the Town. These increases were offset by a decrease in employee benefits caused by actuarial changes related to pensions (Note 7) and other postemployment benefits (Note 8).

Blydenburgh Cleanfill

The Blydenburgh Cleanfill Landfill, Phase I and Phase II, remains active and continues to accept construction and demolition debris. It is projected that these cells will have available capacity through 2025. During 2020, the Agency began the partial capping and closure of the construction & demolition (C&D) portion of the Cleanfill Landfill. This partial closing cost \$6.4 million in 2020.

The Agency continues to operate its Groundwater Remediation Facility as required by the New York State Department of Environmental Conservation (NYSDEC) and Environmental Protection Agency (EPA). The Agency filed an NYSDEC permit application to expand the Cleanfill. All requirements were met, however a permit to construct has not yet been issued.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

Sayville Landfill

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

Other Selected Information

	2024	2023
Collection unit		
Dwelling units	8,718	8,705
Collection fees	\$ 3,010,327	\$ 3,006,011
MacArthur Resource Recovery Facility (MRRF) Operations		
Billable tons	195,851	191,004
Tipping fees	\$ 33,079,617	\$ 33,785,088
Kilowatt Hours(kWh) produced	53,569,561	54,079,126
Electricity sales	\$ 3,051,621	\$ 3,071,851
Compost sales revenue	\$ 117,623	\$ 159,742
Sayville recycling fees	\$ 216,130	\$ 191,623

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 2024 was 53,569,561. This resulted in a surplus of 416,714 kWh as compared to the warranty. This excess calculates to \$7,933 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 2024, the total of ash generated was 52,161 tons, which was 14,748 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 \$413,097.

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 2024, 2023 and 2022, the Agency's collection unit serviced seven contract bid areas on behalf of the Town's consolidated refuse and garbage district.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

Capital Assets

At December 31, 2024, the Agency had capital assets of \$3,180,698 as compared to \$3,473,157 at December 31, 2023. The net decrease from 2023 in the amount of \$292,459 is attributable to depreciation expense, partially off-set by capital asset additions.

Capital assets, net of accumulated depreciation/amortization, are as follows:

	<u>2024</u>	<u>2023</u>
Non-depreciable assets:		
Land	\$ 1,597,821	\$ 1,597,821
Depreciable/Amortizable assets:		
MacArthur Resource Recovery Facility	296,070	254,221
Building and site improvements	103,529	128,907
Machinery and equipment	1,177,789	1,484,105
Furniture and fixtures	5,489	8,103
	<u>\$ 1,582,877</u>	<u>\$ 1,875,336</u>

Cash Flows Activity

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

	<u>2024</u>	<u>2023</u>
Total operating revenue	\$ 40,469,178	\$ 43,270,400
Net cash from operating activities	(1,396,251)	5,230,866

Capital Assets and Long-Term Debt

The investment in capital assets to date is \$3,180,698, and the Agency maintains a constant review of the capital expenditure needs necessary to provide maintenance and capital upgrades. This investment was initially funded by the issuance of long-term debt. Annual cash flows are utilized for current upgrades and maintenance.

Final Comments

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

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.

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position
December 31, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 117,027,090
Accounts receivable, net	1,306,207
Leases receivable	87,569
Due from Town of Islip	137,300
Due from other government	23,558
Prepaid expenses	384,210
Total Current Assets	118,965,934

Non-Current Assets

Leases receivable	2,470,830
Non-depreciable capital assets	1,597,821
Depreciable capital assets, net of depreciation	1,582,877
Total Non-Current Assets	5,651,528

Total Assets 124,617,462

DEFERRED OUTFLOWS OF RESOURCES

Pension	799,888
Other postemployment benefits	1,258,857
Total Deferred Outflows of Resources	2,058,745

LIABILITIES

Current Liabilities

Accounts payable	2,994,280
Due to the Town of Islip	2,942,116
Due to other governments	293,301
Current portion of noncurrent liabilities	1,003,993
Total Current Liabilities	7,233,690

Non-Current Liabilities

Landfill closure and post-closure obligation, less current portion	26,668,785
Compensated absences, less current portion	363,539
Net pension liability	831,725
Other postemployment benefits obligation	12,002,711
Total Non-Current Liabilities	39,866,760

Total Liabilities 47,100,450

DEFERRED INFLOWS OF RESOURCES

Lease related	2,513,002
Pension	445,453
Other postemployment benefits	5,012,955
Total Deferred Inflows of Resources	7,971,410

NET POSITION

Net investment in capital assets	3,180,698
Restricted	2,500,000
Unrestricted	65,923,649

Total Net Position \$ 71,604,347

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

Statement of Revenues, Expenditures and Changes in Net Position
Year Ended December 31, 2024

Operating Revenues		
Tipping fees	\$	33,079,617
Collections		3,010,327
Sale of electricity		3,051,621
Recycling		216,130
Compost sales		117,623
Rent revenue		236,286
Ash disposal		340,461
Other revenue		<u>335,257</u>
Total Operating Revenues		<u>40,387,322</u>
Operating Expenses		
Administrative fees		11,726,893
Service fees		15,737,282
Ash treatment		3,800,363
Intermunicipal tipping fees		57,808
Depreciation		496,560
Landfill closure and post-closure costs		395,070
Personal services		1,942,186
Employee benefits		1,188,900
Contractual expenses		3,239,816
Professional fees		130,728
Rent and utilities		797,235
Miscellaneous		<u>2,333,171</u>
Total Operating Expenses		<u>41,846,012</u>
Operating Loss		<u>(1,458,690)</u>
Nonoperating Revenue		
Investment income		<u>4,999,729</u>
Change in Net Position		3,541,039
Net Position		
Beginning, as reported		68,031,961
Cumulative effect of correction of error		31,347
Beginning, as Restated		<u>72,274,383</u>
Net Position at End of Year	\$	<u>71,604,347</u>

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 40,469,178
Cash payments:	
Personal services and employee benefits	(3,730,850)
Contractual expenses (goods and services)	<u>(38,134,579)</u>
Net Cash from Operating Activities	<u>(1,396,251)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACITVITIES

Acquisition, construction, and improvements of capital assets	(204,101)
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>4,999,729</u>
Change in Cash and Cash Equivalents	3,399,377
Cash and Cash Equivalents at Beginning of Year	<u>113,627,713</u>
Cash and Cash Equivalents at End of Year	<u>\$ 117,027,090</u>

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

Statement of Cash Flows,
Year Ended December 31, 2024

**RECONCILIATION OF OPERATING LOSS TO NET
CASH FROM OPERATING ACTIVITIES**

Operating loss	\$ (1,458,690)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	496,560
Change in allowance for doubtful accounts	(1,031)
Accounts receivable	(240,047)
Leases receivable	86,470
Due from The Town of Islip	225,136
Due from other governments	11,327
Prepaid expenses	(30,432)
Deferred outflows of resources - pension	127,581
Deferred outflows of resources - other postemployment benefits	1,305,202
Accounts payable and accrued expenses	380,871
Due to the Town of Islip	53,842
Due to other governments	21,844
Landfill closure and post-closure obligation	(272,247)
Compensated absences	8,456
Net pension liability	(400,562)
Other postemployment benefits obligation	(1,276,818)
Deferred inflows of resources - leases	(100,521)
Deferred inflows of resources - pension	382,588
Deferred inflows of resources - other postemployment benefits	<u>(715,780)</u>
Net Cash from Operating Activities	<u>\$ (1,396,251)</u>

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 1 - Summary of Significant Accounting Policies

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.

Basis of Presentation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

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

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

Budgetary Data

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.

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, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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).

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Cash, Equivalents and Investments continued)

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.

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.

Leases – Lessor

The Agency is a lessor for noncancellable leases of solar arrays. The Agency recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be receivable during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements related to leases include (1) the discount rate, (2) the lease term and (3) lease payments. The Agency uses its estimated incremental borrowing rate as the discount rate used to discount the expected lease receipts to present value. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts, and resulting gains and losses are included in income. The assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

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

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, 2024.

Landfill Closure and Post-Closure Costs

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

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

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

The estimated liability for landfill closure and post-closure care costs amounted to \$27,028,785 as of December 31, 2024. 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, 2024. 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 98.03% of capacity for 2024. The amount recognized for the cleanfill landfill, Phase II, is based on the usage of 99.38% of the capacity for 2024. It is estimated that an additional \$182,934 for Phase I and \$85,781 for Phase II will be recognized as closure and post-closure care expenses between January 1, 2024 and 2025, when the sites are expected to be filled to capacity.

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net assets 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 assets 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 leases, pensions and other postemployment benefits (OPEB) as described in Notes 5, 7 and 8, respectively.

The following is a summary of deferred outflows and inflows of resources as of December 31, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Lease related		\$ 2,513,002
Pension related deferrals	\$ 799,888	445,453
OPEB related deferrals	1,258,857	5,012,955
	<u>\$ 2,058,745</u>	<u>\$ 7,971,410</u>

Compensated Absences

The liability for compensated absences represents the vacation and sick time which have been earned for services previously rendered pursuant to Agency policy, accumulates, is allowed to be carried over to subsequent years and is deemed more likely than not by management to be used for time off or otherwise paid/settled in the future. The liability is calculated based on each employees' rate of pay and the number of unused leave days accumulated as of year-end and management's assumption of the likelihood of future use is probable. The cost of accumulated vacation and sick leave is recorded as a liability when incurred. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 101. "*Compensated Absences*".

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Pensions

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

Net Position

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

Capital Reserve

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

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

	Agency	Collection	Total
Net investment in capital assets - capital assets, net	\$ 2,050,431	1,130,267	3,180,698

New Accounting Standards

The Agency has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. The Agency adopted the following:

GASB Statement No. 101 "*Compensated Absences*", this statement has been issued to enhance recognition and measurement guidance for compensated absences under a unified model and by amending certain previously required disclosures. The Agency has completed its evaluation of the financial impact of GASB Statement No. 101 and determined that the implementation of this standard was not required as it did not have a material impact on its financial statements.

Subsequent Events

The Agency has evaluated subsequent events through March 26, 2025, which is the date the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 2 – Cash and Cash Equivalents

Cash and Cash Equivalents

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.

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.

Note 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, 2024 are as follows:

Due from the Town of Islip		
Tipping fees	\$	51,911
Interest		85,389
Total	\$	<u>137,300</u>
Due from other governments - tipping fees	\$	<u>23,558</u>
Accounts receivable, net		
Tipping fees	\$	533,693
Recyclable sales		34,818
Electricity sales		732,296
Secure waste		29,033
Other		55,528
		<u>1,385,368</u>
Less allowance for doubtful accounts		<u>(79,161)</u>
	\$	<u>1,306,207</u>

Amounts due to the Town and other governments at December 31, 2024 consist of the following:

	2024		
	Agency Fund	Collection Unit Fund	Total
Due to the Town of Islip:			
General liability insurance	\$ 11,295	\$ 79,431	\$ 90,726
Workers' compensation	38,928	75,565	114,493
Fuel reimbursement	3,360	9,617	12,977
Administrative overhead	2,723,920	-	2,723,920
	<u>2,777,503</u>	<u>164,613</u>	<u>2,942,116</u>
Total	\$ 2,777,503	\$ 164,613	\$ 2,942,116
Due to other governments -			
Town of Brookhaven - ash disposal	\$ 293,301	\$ -	\$ 293,301

ISLIP RESOURCE RECOVERY AGENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 4 - Capital Assets

Capital assets at December 31, 2024 consist of the following:

	2024			December 31, 2024
	December 31, 2023	Additions	Dispositions	
Depreciable assets:				
MacArthur Resource Recovery Facility	\$ 83,765,859	\$ 52,442	\$ -	\$ 83,818,301
Buildings and site improvements	3,382,572		-	3,382,572
Machinery and equipment	10,831,713	151,659		10,983,372
Furniture and fixtures	181,216		-	181,216
	98,161,360	204,101	-	98,365,461
Accumulated depreciation	(96,286,024)	(496,560)		(96,782,584)
Total depreciable assets, net	1,875,336	(292,459)	-	1,582,877
Non-depreciable assets - land	1,597,821	-	-	1,597,821
Total	<u>\$ 3,473,157</u>	<u>\$ (292,459)</u>	<u>\$ -</u>	<u>\$ 3,180,698</u>

Note 5 – Leases

Lease Receivable

The Agency has entered into two agreements to lease land to solar arrays to businesses that wish to manage the process. The Agency reports leases receivable and related deferred inflows of resources of \$2,558,399 and \$2,513,002, respectively, at December 31, 2024 for these leases. For 2024, the Agency reported lease revenue of \$86,469 and interest revenue of \$33,075 related to lease payments received.

The lease receipts included in the measurement of the leases receivable is composed of fixed payments from the lessee. The discount rate used by the Agency was 1.26%. The Agency expected to renew these leases for all renewable periods. The lease terms are 372 months.

The following table is the amortization schedule for the lease receivable:

		Principal	Interest	Total
For the years ending December 31,	2025	\$ 87,569	\$ 31,975	\$ 119,544
	2026	88,683	30,861	119,544
	2027	89,811	29,733	119,544
	2028	90,954	28,590	119,544
	2029	92,111	27,433	119,544
	2030-2034	478,429	119,291	597,720
	2035-2039	509,642	88,078	597,720
	2040-2044	542,891	54,829	597,720
	2045-2049	578,309	19,411	597,720
	Total	<u>\$ 2,558,399</u>	<u>\$ 430,201</u>	<u>\$ 2,988,600</u>

ISLIP RESOURCE RECOVERY AGENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 6 – Long-Term Liabilities

The following tables summarize the Agency’s long-term liabilities at December 31, 2024:

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024	Due Within One Year
Compensated Absences (Net Change)	\$ 395,476	\$ 8,456	\$	\$ 403,932	\$ 40,393
Net pension liability	1,232,287		400,562	831,725	
Total OPEB liability	13,883,129	789,642	2,066,460	12,606,311	603,600
Landfill closure and post-closure costs	27,301,032		272,247	27,028,785	360,000
Long-term Liabilities	<u>\$ 42,811,924</u>	<u>\$ 798,098</u>	<u>\$ 2,739,269</u>	<u>\$ 40,870,753</u>	<u>\$ 1,003,993</u>

Note 7 - Retirement System

Plan Description

The Agency participates in the New York State and Local Employees’ Retirement System (“ERS”, a cost-sharing, multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York Common Retirement Fund (“Fund”), which was established to hold all net assets and record changes in fiduciary 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.

The Comptroller is an elected official determined in a direct statewide election and serves a four year term. 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 Agency also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

Plan Benefits

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2, is 55 and 62, respectively.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 7 - Retirement System (continued)

Plan Benefits (*continued*)

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3, 4 and 5 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 7 - Retirement System (continued)

Plan Benefits (continued)

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years. Subsequent to the measurement date, the plan was amended which changed the definition of the final average earnings to be based on the average of the members' three highest consecutive years of earnings. The plan amendment also excludes certain earned overtime pay between April 1, 2022 and March 31, 2024 from the Tier 6 contribution rates. The amendment is effective for those members who retire on or after April 1, 2024.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Disability Retirement Benefits

Disability retirement benefits are available to members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty and accidental disability benefits. Eligibility is generally three times the members' annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Ordinary Death Benefits

Death benefits are payable upon death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4 and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement.

ISLIP RESOURCE RECOVERY AGENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 7 - Retirement System (continued)

Plan Benefits (continued)

Post-Retirement Benefit Increases (continued)

An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership; and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for the entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

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

At December 31, 2024, the Agency reported a liability of \$831,725 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2023. 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, 2024, the Agency's proportion was 0.0056488%. For the year ended December 31, 2024, the Agency recognized pension expense of \$337,587.

At December 31, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ISLIP RESOURCE RECOVERY AGENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 7 - Retirement System (continued)

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 267,898	\$ 22,679
Changes of assumptions	314,457	
Net differences between projected and actual investment earnings on pension plan investments		406,294
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,197	16,480
Agency contributions subsequent to the measurement date	195,336	
Total	\$ 799,888	\$ 445,453

Agency contributions subsequent to the measurement date are recognized as 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:

For the years ending December 31, 2025	\$ (149,762)
2026	160,066
2027	238,906
2028	(90,111)
Total	\$ 159,099

Actuarial Assumptions

The total pension liability at March 31, 2024 was determined by using actuarial valuations as of April 1, 2023, with update procedures used to roll forward the total pension liability to March 31, 2024. The actuarial valuations used the following actuarial assumptions:

Investment rate of return (net of investment, expense, including inflation)	5.90%
Salary increases	4.40%
Cost of living adjustments	1.50%
Inflation	2.90%

ISLIP RESOURCE RECOVERY AGENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 7 - Retirement System (continued)

Actuarial Assumptions (continued)

Annuitant mortality rates for the April 1, 2023 actuarial valuation are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. The actuarial assumptions used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2024 are summarized as follows:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	4.00%
International Equity	15.0%	6.65%
Private Equity	10.0%	7.25%
Real estate	9.0%	4.60%
Opportunistic/ARS portfolio	3.0%	5.25%
Credit	4.0%	5.40%
Real assets	3.0%	5.79%
Fixed Income	23.0%	1.50%
Cash	1.0%	0.25%
	100.0%	

* The real rate of return is net of the long-term inflation assumption of 2.9%

Discount Rate

The discount rate used to measure the total pension liability was 5.9% for the years ended March 31, 2024. 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
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NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 7 - Retirement System (continued)

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

The following presents the Agency's proportionate share of the net pension liability at December 31, 2024 calculated using the discount rate of 5.9%, as well as what the Agency's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than those rates:

	1% Decrease (4.9%)	Discount Rate (5.9%)	1% Increase (6.9%)
Agency's proportionate share of the net pension liability/(asset)	\$ 2,615,027	\$ 831,725	\$ (657,703)

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):

Employers' total pension liability	\$ 240,696,851
Fiduciary net position	<u>225,972,801</u>
Employers' net pension liability	<u><u>\$ 14,724,050</u></u>
Ratio of fiduciary net position to the employers' total pension liability	93.88%

Note 8 - Other Post-Employment Benefits (OPEB)

Plan Description

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

The benefit plan is administered and accounted for as a single-employer defined benefit plan. A summary of active employees and retired employees covered under this benefit plan as of December 31, 2024 is as follows:

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 8 - Other Post-Employment Benefits (OPEB) (continued)

Plan Description (continued)

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 year ended December 31, 2024, the Agency paid \$560,825, on behalf of the plan members. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At December 31, 2024, the Agency reported a liability of \$12,606,311 for its OPEB liability. The OPEB liability was measured as of January 1, 2023 by an actuarial valuation as of that date. For the year ended December 31, 2024, the Agency recognized OPEB benefit of \$126,571. At December 31, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 626,299	\$ 1,618,917
Changes of assumptions	632,558	3,394,038
Total	\$ 1,258,857	\$ 5,012,955

The amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the years ending 2025	\$ 1,125,064
2026	1,412,785
2027	1,042,142
2028	173,266
2029	841
Total	\$ (3,754,098)

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 8 - Other Post-Employment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Assumptions	Factor
Discount Rate	4.08% December 31, 2024
Measurement Date	January 1, 2023
Payroll Growth	0.025
Mortality	Utilized rates developed in the report, "New York State/SUNY GASB 75 Valuation Development of Recommended Actuarial Assumptions" prepared in August 2022. Based on the PUB-2010 headcount weighted mortality tables using the MP-2021 projection scale
Participation Rate	100% of the current active employees, assumed that 75% of the male and 50% of the female employees will elect spousal coverage
Actuarial Cost Method	Entry Age Actuarial

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

Year	Non Medicare	Medicare Part B
2024	6.50%	5.00%
2025	6.00%	5.00%
2026	5.50%	5.00%
2027	5.00%	5.00%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The discount rate used to measure the liability was 4.08% at December 31, 2024, based on the Bond Buyer 20-year general obligation bond index.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 8 - Other Post-Employment Benefits (OPEB) (continued)

Schedule of Changes in Net OPEB Liability

Balance at December 31, 2023	\$ 13,883,129
Changes for the year:	
Service cost	335,193
Interest on total OPEB liability	454,449
Changes in assumptions and other inputs	(1,505,635)
Benefit payments	<u>(560,825)</u>
Net change	<u>(1,276,818)</u>
Balance at December 31, 2024	<u>\$ 12,606,311</u>

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

The following presents the OPEB Liability of the plan as of December 31, 2024 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower and 1% higher than the current rate:

	1% Decrease	Current Healthcare Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 10,806,848</u>	<u>\$ 12,606,311</u>	<u>\$ 14,859,503</u>

The following presents the OPEB liability of the plan as of December 31, 2024, calculated using the discount rate of 4.08%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB Liability	<u>\$ 14,479,807</u>	<u>\$ 12,606,311</u>	<u>\$ 11,088,626</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 9 - Related Party Transactions

On December 1, 1985, the Agency entered into a solid waste management agreement with the Town, as amended, that expired on December 1, 2024. The contract is now being renewed on a yearly basis. Under the terms of the agreement, the Agency took title to the Town's solid waste disposal facilities for use in operations.

The Town was retained by the Agency to provide management and administrative services for the Agency. The Town is reimbursed for these items through the remittance of administrative fees.

On an annual basis, the Agency and Town enter into a management services agreement, which defines the charges to the Agency for services provided by the Town. The administrative fees expense amounted to \$11,726,893 for the year ended December 31, 2024.

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 \$957,531 for the year ended December 31, 2024.

Note 10 – Commitments and Contingencies

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.

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.

Operation of MacArthur Resource Recovery Facility

The MacArthur Resource Recovery Facility (the Facility) is operated by Reworld MacArthur, formally 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 2024). The Company also receives 50% of the revenue from the sale of any additional electricity sold each year.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 10 – Commitments and Contingencies (continued)

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.

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

Note 11 - Accounting Standards Issued But Not Implemented

The following statements have been issued by the GASB and are to be implemented in future years, as applicable:

Statement No. 102, “*Certain Risk Disclosures*”, was issued to enhance disclosures regarding concentrations and/or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The required disclosure includes descriptions of the concentration and/or constraint, each event associated with the concentration/constraint that could cause a substantial impact if it occurred or had begun to occur prior to issuance of the financial statements and actions taken by the government prior to issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for the year ending December 31, 2025.

Statement No. 103, “*Financial Reporting Model Improvements*”, this Statement has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for the year ending December 31, 2026.

Statement No. 104, “*Disclosure of Certain Capital Assets*”, has been issued to improve disclosures about certain types of capital assets by requiring additional disclosures for capital assets held for resale (historical cost and accumulated depreciation and carrying amount of debt for which capital asset is pledged as collateral) as well as requiring certain types of assets to be disclosed separately in the capital asset footnote (such as right to use assets recognized from lease liabilities, subscription liabilities and public-private and public-public partnerships and availability payment arrangements). The requirements of this Statement are effective for the year ending December 31, 2026.

The Agency is currently evaluating the impact of the above pronouncements.

Note 12 – Restatement

Correction of Error in Previously Issued Financial Statements

During 2024 the Agency determined that leases were not recorded in accordance with GASB Statement No. 87 “*Leases*” in the prior year. Therefore, leases receivable and deferred inflow of resources were understated by \$2,644,869 and \$2,613,523, respectively. In addition, lease revenue was understated by \$31,347. The effect of correcting that error is show on the table below:

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 12 – Restatement

Correction of Error in Previously Issued Financial Statements (continued)

	<u>As reported</u>	<u>As restated</u>	<u>Correction</u>
Lease Receivable	\$ -	\$ 2,644,869	\$ 2,644,869
Deferred inflows of Resources- Lease Related	\$ -	\$ 2,613,523	\$ 2,613,523
Net Position	\$ 68,031,961	\$ 31,346	\$ 68,063,307

REQUIRED SUPPLEMENTARY INFORMATION
Other Than Management's Discussion and Analysis

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Changes in Total Other
Postemployment Liability and Related Ratios
December 31, 2024

	2024	2023	2022	2021	2020	2019	2018
Balance, beginning of year	\$ 13,883,129	\$ 15,897,367	\$ 19,752,828	\$ 17,442,905	\$ 15,737,171	\$ 12,933,375	\$ 13,761,154
Service costs	335,193	291,460	732,900	703,395	558,556	386,620	381,530
Interest	454,449	476,790	420,367	415,234	440,043	514,928	480,914
Difference between expected and actual experience	-0-	(2,749,826)	-0-	2,044,633	(462,625)	(923,263)	-0-
Changes of assumptions and other inputs	(1,505,635)	525,490	(4,453,380)	(358,140)	1,644,377	3,279,118	(1,362,203)
Benefit payments	(560,825)	(558,152)	(555,348)	(495,199)	(474,617)	(453,607)	(328,020)
Balance, end of year	<u>\$ 12,606,311</u>	<u>\$ 13,883,129</u>	<u>\$ 15,897,367</u>	<u>\$ 19,752,828</u>	<u>\$ 17,442,905</u>	<u>\$ 15,737,171</u>	<u>\$ 12,933,375</u>
Covered-employee payroll	\$ 1,589,271	\$ 1,550,508	\$ 1,687,498	\$ 1,646,340	\$ 1,591,547	\$ 1,552,729	\$ 1,698,879
Total OPEB liability as a percentage of covered employee payroll	793.21%	895.39%	942.07%	1199.80%	1095.97%	1013.52%	761.29%

Notes to the Schedule:

	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Measurement date							
Summary of changes in assumptions:							
Discount rate	4.08%	3.26%	3.72%	2.06%	2.12%	2.74%	4.10%
Health care trend rates:							
Rate used				7.50%	8.50%		
Ultimate rate/year				4.5% in 2025	5.0% in 2025		

Schedule is intended to show information for 10 Years, additional years will be displayed as they become available.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability (Asset)
December 31, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Agency's proportion of the collective net pension liability/(asset)	0.0056488%	0.0057465%	0.0059674%	0.0058556%	0.0056841%	0.0056988%	0.0058980%	0.0059651%	0.0063837%	0.0065912%
Agency's proportionate share of the net collective pension liability/(asset)	\$ 831,725	\$ 1,232,287	\$ (487,809)	\$ 5,831	\$ 1,505,173	\$ 403,777	\$ 190,354	\$ 560,495	\$ 1,024,599	\$ 222,666
Agency's covered-employee payroll	\$ 1,823,416	\$ 1,818,980	\$ 1,802,442	\$ 1,813,549	\$ 1,661,954	\$ 1,698,879	\$ 1,763,743	\$ 1,640,246	\$ 1,687,646	\$ 1,730,543
Agency's proportionate share of the net collective pension liability/(asset) as a percentage of its covered-employee payroll	45.61%	67.75%	-27.06%	0.32%	90.57%	23.77%	10.79%	34.17%	60.71%	12.87%
Plan fiduciary net position as a percentage of the total pension liability/(asset) coming from plan	93.88%	90.78%	103.65%	99.95%	86.40%	98.20%	98.20%	94.70%	90.70%	97.90%

Notes:

Amounts presented were determined as of the System's measurement date of March 31st.

The discount rate used to calculate the total pension liability was decreased from 6.8% to 5.9% effective with the March 21, 2021 measurement date.

The change in the Agency's proportionate share of the 2023 and 2022 net pension liability/(asset) is mainly attributable to the investment gains/losses the Plan recognized.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Required Supplementary Information
Schedule of Pension Contributions
December 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 260,448	\$ 228,162	\$ 198,779	\$ 276,745	\$ 228,526	\$ 240,336	\$ 263,217	\$ 244,650	\$ 292,721	\$ 311,371
Contributions in relation to the contractually required contribution	<u>260,448</u>	<u>228,162</u>	<u>198,779</u>	<u>276,745</u>	<u>228,526</u>	<u>240,336</u>	<u>263,217</u>	<u>244,650</u>	<u>292,721</u>	<u>311,371</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Agency's covered-employee payroll	\$ 1,823,408	\$ 1,818,980	\$ 1,802,442	\$ 1,813,549	\$ 1,661,954	\$ 1,698,879	\$ 1,763,743	\$ 1,640,246	\$ 1,687,646	\$ 1,730,543
Contributions as a percentage of covered-employee payroll	14.28%	12.54%	11.03%	15.26%	13.75%	14.15%	14.92%	14.92%	17.34%	17.99%

OTHER SUPPLEMENTARY INFORMATION

ISLIP RESOURCE RECOVERY AGENCY

(A Component Unit of the Town of Islip)

Other Supplementary Information

Combining Statements of Net Position

December 31, 2024

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 110,184,316	\$ 6,842,774	\$ 117,027,090
Accounts receivable, net	1,306,207	0	1,306,207
Leases receivable	87,569		87,569
Due from Town of Islip	117,697	19,603	137,300
Due from other government	23,558	-	23,558
Prepaid expenses	117,031	267,179	384,210
Total Current Assets	<u>111,836,378</u>	<u>7,129,556</u>	<u>118,965,934</u>
Non-Current Assets			
Leases receivable	2,470,830	-	2,470,830
Non-depreciable capital assets	1,597,821	-	1,597,821
Depreciable capital assets, net of depreciation	452,610	1,130,267	1,582,877
Total Non-Current Assets	<u>4,521,261</u>	<u>1,130,267</u>	<u>5,651,528</u>
Total Assets	<u>116,357,639</u>	<u>8,259,823</u>	<u>124,617,462</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	271,962	527,926	799,888
Other postemployment benefits	299,449	959,408	1,258,857
Total Deferred Outflows of Resources	<u>571,411</u>	<u>1,487,334</u>	<u>2,058,745</u>
LIABILITIES			
Current Liabilities			
Accounts payable	2,818,268	176,012	2,994,280
Due to the Town of Islip	2,777,503	164,613	2,942,116
Due to other governments	293,301	-	293,301
Current portion of noncurrent liabilities	543,759	460,234	1,003,993
Total Current Liabilities	<u>6,432,831</u>	<u>800,859</u>	<u>7,233,690</u>
Non-Current Liabilities			
Landfill closure and post-closure obligation, less current portion	26,668,785	-	26,668,785
Compensated absences, less current portion	188,097	175,442	363,539
Net pension liability	282,787	548,938	831,725
Other postemployment benefits obligation	3,238,487	8,764,224	12,002,711
Total Non-Current Liabilities	<u>30,378,156</u>	<u>9,488,604</u>	<u>39,866,760</u>
Total Liabilities	<u>36,810,987</u>	<u>10,289,463</u>	<u>47,100,450</u>
DEFERRED INFLOWS OF RESOURCES			
Lease related	2,513,002	-	2,513,002
Pension	151,455	293,998	445,453
Other postemployment benefits	1,403,473	3,609,482	5,012,955
Total Deferred Inflows of Resources	<u>4,067,930</u>	<u>3,903,480</u>	<u>7,971,410</u>
NET POSITION			
Net investment in capital assets	2,050,431	1,130,267	3,180,698
Restricted	2,500,000	-	2,500,000
Unrestricted	71,499,702	(5,576,053)	65,923,649
Total Net Position	<u>\$ 76,050,133</u>	<u>\$ (4,445,786)</u>	<u>\$ 71,604,347</u>

See Notes to Financial Statements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Revenue, Expenses and Changes in Net Position
Year Ended December 31, 2024

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
Operating Revenues			
Tipping fees	\$ 33,079,617	\$ -	\$ 33,079,617
Collections	-	3,010,327	3,010,327
Sale of electricity	3,051,621	-	3,051,621
Recycling	216,130	-	216,130
Compost sales	117,623	-	117,623
Rent revenue	236,286	-	236,286
Ash disposal	340,461	-	340,461
Other revenue	286,575	48,682	335,257
Total Operating Revenues	<u>37,328,313</u>	<u>3,059,009</u>	<u>40,387,322</u>
Operating Expenses			
Administrative fees	11,726,893	-	11,726,893
Service fees	15,737,282	-	15,737,282
Ash treatment	3,800,363	-	3,800,363
Intermunicipal tipping fees	57,808	-	57,808
Depreciation	61,303	435,257	496,560
Landfill closure and post-closure costs	395,070	-	395,070
Personal services	600,510	1,341,676	1,942,186
Employee benefits	126,308	1,062,592	1,188,900
Contractual expenses	2,641,724	598,092	3,239,816
Professional fees	130,728	-	130,728
Rent and utilities	687,255	109,980	797,235
Miscellaneous	2,333,171	-	2,333,171
Total Operating Expenses	<u>38,298,415</u>	<u>3,547,597</u>	<u>41,846,012</u>
Operating Loss	<u>(970,102)</u>	<u>(488,588)</u>	<u>(1,458,690)</u>
Nonoperating Revenue			
Investment income	<u>4,745,852</u>	<u>253,877</u>	<u>4,999,729</u>
Change in Net Position	3,775,750	(234,711)	3,541,039
Net Position			
Beginning, as reported	72,243,036	(4,211,075)	68,031,961
Cumulative effect of correction of error	31,347	-	31,347
Beginning, as Restated	<u>72,274,383</u>	<u>-</u>	<u>72,274,383</u>
Net Position at End of Year	<u>\$ 76,050,133</u>	<u>\$ (4,445,786)</u>	<u>\$ 71,604,347</u>

See Notes to Financial Statements.

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Cash Flows
Year Ended December 31, 2024

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 37,429,772	\$ 3,039,406	\$ 40,469,178
Cash payments:			
Personal services and employee benefits	(1,020,908)	(2,709,942)	(3,730,850)
Contractual expenses (goods and services)	<u>(37,495,933)</u>	<u>(638,646)</u>	<u>(38,134,579)</u>
Net Cash from Operating Activities	<u>(1,087,069)</u>	<u>(309,182)</u>	<u>(1,396,251)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACITVITIES -			
Acquisition, construction, and improvements of capital assets	<u>(87,441)</u>	<u>(116,660)</u>	<u>(204,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>4,745,852</u>	<u>253,877</u>	<u>4,999,729</u>
Net Cash from Investing Activities	<u>4,745,852</u>	<u>253,877</u>	<u>4,999,729</u>
Change in Cash and Cash Equivalents	3,571,342	(171,965)	3,399,377
Cash and Cash Equivalents at Beginning of Year	<u>106,612,974</u>	<u>7,014,739</u>	<u>113,627,713</u>
Cash and Cash Equivalents at End of Year	<u>\$ 110,184,316</u>	<u>\$ 6,842,774</u>	<u>\$ 117,027,090</u>

ISLIP RESOURCE RECOVERY AGENCY
(A Component Unit of the Town of Islip)
Other Supplementary Information
Combining Statements of Cash Flows, Continued
Year Ended December 31, 2024

	<u>Agency</u>	<u>Collection</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES			
Operating loss	\$ (970,102)	\$ (488,588)	\$ (1,458,690)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	61,303	435,257	496,560
Change in allowance for doubtful accounts	(1,031)	-	(1,031)
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(240,047)	-	(240,047)
Leases receivable	86,470		86,470
Due from The Town of Islip	244,739	(19,603)	225,136
Due from other governments	11,327	-	11,327
Prepaid expenses	(4,604)	(25,828)	(30,432)
Deferred outflows of resources - pension	43,817	83,764	127,581
Deferred outflows of resources - other postemployment benefits	396,342	908,860	1,305,202
Accounts payable and accrued expenses	290,479	90,392	380,871
Due to the Town of Islip	45,785	8,057	53,842
Due to other governments	21,844	-	21,844
Landfill closure and post-closure obligation	(272,247)	-	(272,247)
Compensated absences	18,739	(10,283)	8,456
Net pension liability	(136,191)	(264,371)	(400,562)
Other postemployment benefits obligation	(350,953)	(925,865)	(1,276,818)
Deferred inflows of resources - leases	(100,521)	-	(100,521)
Deferred inflows of resources - pension	130,081	252,507	382,588
Deferred inflows of resources - other postemployment benefits	(362,299)	(353,481)	(715,780)
Net Cash from Operating Activities	<u>\$ (1,087,069)</u>	<u>\$ (309,182)</u>	<u>\$ (1,396,251)</u>

See Notes to Financial Statements.

INTERNAL CONTROL AND COMPLIANCE

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

Independent 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 financial statements 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, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 26, 2025.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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, and therefore, material weakness or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 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

Hauppauge, New York
March 26, 2025

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

Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

FINDINGS – FINANCIAL STATEMENTS

2024-001 Restatement of balances on a previously issued financial statement to reflect the correction of a material misstatement (Material Weakness)

Criteria

Governmental Accounting Standards Board (“GASB”) Statement No. 87, *Leases*, effective for reporting periods beginning after June 15, 2021, requires that all leases (except those specifically excluded) be recognized on the statement of net position by both lessees and lessors. Lessors are required to recognize a lease receivable and a corresponding deferred inflow of resources at the commencement of the lease term. Additionally, leases must be evaluated and accounted for based on the substance of the agreement, not solely on its legal form.

Condition/Cause

The Agency failed to implement the requirements of GASB Statement No. 87, *Leases*, in the prior fiscal year. Specifically, the Agency, as a lessor, did not identify or record noncancellable lease agreements related to solar arrays in accordance with the standard. As a result, lease receivables and related deferred inflows of resources were not recognized, and associated revenue was not properly reported in the financial statements.

Effect

As a result of this omission, the financial statements for the prior year were not presented in accordance with Generally Accepted Accounting Principles (GAAP), leading to a material misstatement. A prior period adjustment was required to correct the financial statements in the current year, indicating a material weakness in internal control over financial reporting. As of December 31, 2023, leases receivable, deferred inflows of resources – leases related were restated and the Agency’s net position was increased by \$31,347.

Recommendation

We recommend that management:

1. Establish and implement policies and procedures to ensure timely evaluation and implementation of new GASB standards.
2. Perform a comprehensive review and inventory of all lease arrangements on a recurring basis.
3. Provide training to accounting personnel regarding GASB 87 and other relevant standards to ensure proper application in financial reporting.
4. Consult with external accounting advisors when necessary to ensure compliance with GAAP.

Views of Responsible Officials

The Agency will implement policies and procedures to ensure timely evaluation and implementation of new GASB standards and consult with external accounting advisors when necessary to ensure compliance with GAAP.