



**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.

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## **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.