

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Financial Report

December 31, 2020 and 2019

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Financial Report

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Islip Resource Recovery Agency
Islip, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Islip Resource Recovery Agency (Agency), a component unit of the Town of Islip, as of for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 to 8 and the required supplementary information on pages 35 to 37 as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The combining fund statements of net position, combining fund statements of revenue, expenses, and changes in net position, and combining fund statements of cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements of net position, combining fund statements of revenue, expenses, and changes in net position, and combining fund statements of cash flows, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

BST & Co. CPAs, LLP

Albany, New York
March 22, 2021



Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Management's Discussion and Analysis

December 31, 2020 and 2019

Our discussion and analysis of the Islip Resource Recovery Agency's (Agency) financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2020, 2019, and 2018. Please read this discussion and analysis along with the basic financial statements and the accompanying notes to the financial statements.

Overview of the Financial Statements

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

Summary of Organization and Business

The Agency is a public authority created by Public Authority Law 2046-C. The Agency is a body corporate and politic constituting a Public Benefit Corporation pursuant to the Islip Resource Recovery Act (the Act). Its membership consists of a five (5) member Board of Directors comprised, ex-officio, of the members of the Islip Town Board. Furthermore, the Agency is considered a component unit of the Town of Islip (Town).

The Agency is authorized by the Act to finance, acquire, construct, operate, and maintain a solid waste management-resource recovery system (which consists of two (2) closed landfills, one (1) cleanfill landfill, one (1) multi-purpose recycling facility, one (1) waste to energy facility, and one (1) yard waste compost facility) in the Town and to contract with the Town for the purpose of receiving, treating, and disposing of municipal solid waste generated in the Town.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Management's Discussion and Analysis

December 31, 2020 and 2019

Summary of Organization and Business - Continued

Condensed Statements of Net Position

	December 31,		
	2020	2019	2018
ASSETS			
Current assets	\$ 97,281,283	\$ 99,190,648	\$ 93,537,385
Capital assets, net	2,973,584	2,725,728	3,127,113
Total assets	100,254,867	101,916,376	96,664,498
DEFERRED OUTFLOWS OF RESOURCES	4,761,105	3,300,235	746,628
Total assets and deferred outflows of resources	105,015,972	105,216,611	97,411,126
LIABILITIES			
Current liabilities	5,380,142	10,568,470	4,619,001
Long-term liabilities	48,410,851	47,484,824	51,988,103
Total liabilities	53,790,993	58,053,294	56,607,104
DEFERRED INFLOW OF RESOURCES	1,900,977	2,043,393	1,917,536
NET POSITION	<u>\$ 49,324,002</u>	<u>\$ 45,119,924</u>	<u>\$ 38,886,486</u>

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

	December 31,		
	2020	2019	2018
Operating revenue	\$ 42,435,978	\$ 40,703,147	\$ 40,822,943
Operating expenses	38,564,845	36,039,311	35,619,311
Operating income	3,871,133	4,663,836	5,203,632
Nonoperating revenue, net	332,945	1,569,602	1,131,675
Change in net position	4,204,078	6,233,438	6,335,307
Net position, beginning of year	45,119,924	38,886,486	32,551,179
Net position, end of year, as originally stated	<u>\$ 49,324,002</u>	<u>\$ 45,119,924</u>	<u>\$ 38,886,486</u>

Debt Administration

At December 31, 2020 and 2019, the Agency had \$2,530,000 and \$3,745,000, respectively, in bonds, outstanding. Total interest payments on the Agency's bonds were \$89,506 and \$117,946 for the years ended December 31, 2020 and 2019, respectively.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Management's Discussion and Analysis December 31, 2020 and 2019

Summary of Organization and Business - Continued

Blydenburgh Cleanfill

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

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

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

Sayville Landfill

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

Other Selected Information

	December 31,		
	2020	2019	2018
Collection unit			
Dwelling units	8,679	8,674	8,663
Collection fees	<u>\$ 3,023,979</u>	<u>\$ 3,020,181</u>	<u>\$ 2,995,743</u>
MacArthur Resource Recovery Facility (MRRF) Operations			
Billable tons	194,149	174,920	171,410
Tipping fees	<u>\$ 34,833,377</u>	<u>\$ 33,339,766</u>	<u>\$ 32,633,317</u>
Kilowatt Hours (kWh) produced	55,162,558	50,385,557	55,733,950
Electricity sales	<u>\$ 3,436,452</u>	<u>\$ 3,024,506</u>	<u>\$ 3,131,267</u>
Compost, sales revenue	<u>\$ 205,496</u>	<u>\$ 257,318</u>	<u>\$ 200,997</u>
Sayville, recycling fees	<u>\$ 115,818</u>	<u>\$ 187,039</u>	<u>\$ 575,385</u>

MacArthur Resource Recovery Facility (MRRF) Electricity Warranty

The electric export warranty agreement calls for the generation of 53,152,847 kWh per year. The total kWh produced for 2020 was 55,162,558. This resulted in a surplus of 2,009,711 kWh as compared to the warranty. This excess calculates to \$42,631 in warranty provision expense, which was owed to the operator according to the electricity sales warranty.

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Management's Discussion and Analysis

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Summary of Organization and Business - Continued

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

Ash Warranty

The operating agreement provides for the generation of not more than 38% of billable tons of municipal solid waste. During 2020, the total of ash generated was 59,702, which was 6,935 tons less than the contractual limit of 38% of billable tons. This savings resulted in an ash warranty payment to the operator in the amount of \$169,066.

During 2019, the total of ash generated was 55,484 tons, which was 9,215 tons less than the contractual limit of 38% of billable tons. This savings resulted in an ash warranty payment to the operator in the amount of \$202,609.

Collection Unit

The Agency continues to maintain and provide solid waste collection services to approximately 9,000 homes within the Town's consolidated refuse and collection district. During 2020, 2019 and 2018, the Agency's collection unit continues to service seven contract bid areas on behalf of the Town's consolidated refuse and garbage district.

Financial Condition

The Agency's financial condition remained strong at year-end with sufficient cash and cash equivalents coupled with an adequate and reliable solid waste facility and collection system in place. The current financial condition, technical support staff capabilities, and operational planning to meet taxpayer needs are well balanced and under control. The following summarizes the statements of net position:

	December 31,		
	2020	2019	2018
Current assets	<u>\$ 97,281,283</u>	<u>\$ 99,190,648</u>	<u>\$ 93,537,385</u>
Capital assets	<u>\$ 2,973,584</u>	<u>\$ 2,725,728</u>	<u>\$ 3,127,113</u>
Net position	<u>\$ 49,324,002</u>	<u>\$ 45,119,924</u>	<u>\$ 38,886,486</u>

Capital Assets

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

Islip Resource Recovery Agency

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Management's Discussion and Analysis

December 31, 2020 and 2019

Results of Operations

Revenue

Operating revenue falls into various categories, with the three (3) major sources being tipping fees, collections and sale of electricity. Ancillary revenue consists of recycling fees, compost sales, rent revenue, operating grants, ash disposal, and other sales.

	Years Ended December 31,		
	2020	2019	2018
Tipping fees	\$ 34,833,377	\$ 33,339,766	\$ 32,633,317
Collections	3,023,979	3,020,181	2,995,743
Sale of electricity	3,436,452	3,024,506	3,131,267
Ancillary revenue	1,142,170	1,318,694	2,062,616
Total operating revenue	<u>\$ 42,435,978</u>	<u>\$ 40,703,147</u>	<u>\$ 40,822,943</u>

Total operating revenues for the year ended December 31, 2020 increased by approximately \$1.7 million, or 4.3% from 2019. This increase was related primarily to tipping fee volume and electricity generation offset by declines in other revenue, such as compost sales and recycling.

Total operating revenues for the year ended December 31, 2019 decreased approximately \$119.8 thousand from the prior year. Improvements in tipping fees were offset by declines ancillary revenue, mostly related to recycling.

Expenses

The majority of the Agency's expenses relate to the collection and disposal of solid waste. The largest operating expenses of the Agency are administrative charges, which reimburse the Town for allocated expenses and service fees paid to the third-party operator of the Agency's power generating waste to energy facility.

In 2020 total operating expenses increased by approximately \$2.5 million or 7.1%. The increase is driven by several factors, including increased volume resulting in higher tipping fees. Additionally, the Agency incurred \$1.1 million in higher waste transfer fees paid to Covanta, who operates the MRRF. Finally, the Agency's employee benefits expenses increased mainly due to net pension liability reporting, which was measured as of March 31, 2020, when the financial markets were severely depressed due to the COVID-19 pandemic.

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

Cash Flows Activity

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

Islip Resource Recovery Agency

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Management's Discussion and Analysis

December 31, 2020 and 2019

Cash Flows Activity - Continued

	Years Ended December 31,		
	2020	2019	2018
Total operating revenue	<u>\$ 42,435,978</u>	<u>\$ 40,703,147</u>	<u>\$ 40,822,943</u>
Net cash provided (used) by operating activities	<u>\$ (535,660)</u>	<u>\$ 5,772,518</u>	<u>\$ 6,210,176</u>

Capital Assets and Long-Term Debt

The investment in capital assets to date approximates \$98,110,198, and the Agency maintains a constant review of the capital expenditure needs necessary to provide maintenance and capital upgrades. This investment was initially funded by the issuance of long-term debt. Annual cash flows are utilized for current upgrades and maintenance.

Final Comments

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

The Agency is currently evaluating the impact of COVID-19 on its 2021 operations, including changes in residential, commercial and construction and demolition waste volume. Management believes the Agency's financial condition to be strong, and therefore capable of enduring any temporary adverse impacts from COVID-19.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Islip Resource Recovery Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Islip Resource Recovery Agency, 401 Main Street, Islip, New York 11751.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Statements of Net Position

	December 31,	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 93,600,566	\$ 94,956,001
Investments	2,039,682	2,896,623
Accounts receivable, net	1,101,274	888,043
Due from the Town of Islip	212,288	186,951
Prepaid expenses	327,473	263,030
Total current assets	<u>97,281,283</u>	<u>99,190,648</u>
Non-current assets		
Capital assets, net	<u>2,973,584</u>	<u>2,725,728</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>4,761,105</u>	<u>3,300,235</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	2,282,818	1,894,341
Accrued interest on bonds	30,234	44,753
Due to the Town of Islip	1,094,239	1,097,150
Due to other governments	316,851	259,826
Current portion of non-current liabilities	1,656,000	7,272,400
Total current liabilities	<u>5,380,142</u>	<u>10,568,470</u>
Non-current liabilities		
Landfill closure and post-closure obligation, less current portion	27,764,338	28,466,334
Bonds payable, less current portion	1,280,000	2,530,000
Compensated absences	418,435	347,542
Net pension liability	1,505,173	403,777
Other postemployment benefits liability	17,442,905	15,737,171
Total non-current liabilities	<u>48,410,851</u>	<u>47,484,824</u>
Total liabilities	<u>53,790,993</u>	<u>58,053,294</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,900,977</u>	<u>2,043,393</u>
NET POSITION		
Net investment in capital assets	1,754,176	245,500
Restricted	2,500,000	2,500,000
Unrestricted	<u>45,069,826</u>	<u>42,374,424</u>
Total net position	<u><u>\$ 49,324,002</u></u>	<u><u>\$ 45,119,924</u></u>

See accompanying Notes to Financial Statements.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Statements of Revenue, Expenses, and Changes In Net Position

	Years Ended December 31,	
	2020	2019
OPERATING REVENUE		
Tipping fees	\$ 34,833,377	\$ 33,339,766
Collections	3,023,979	3,020,181
Sale of electricity	3,436,452	3,024,506
Recycling	115,818	187,039
Compost sales	205,496	257,318
Rent revenue	207,913	211,135
Operating grants	-	15,786
Ash disposal	344,162	290,483
Other revenue	268,781	356,933
Total operating revenue	<u>42,435,978</u>	<u>40,703,147</u>
OPERATING EXPENSES		
Administrative fees	9,938,250	9,872,935
Service fees	13,596,585	13,192,548
Ash treatment	3,749,745	3,210,243
Intermunicipal tipping fees	146,114	143,408
Depreciation	486,466	525,026
Landfill closure and post-closure costs	34,509	(166,807)
Personal services	1,937,181	1,792,121
Employee benefits	2,618,814	2,167,327
Contractual expenses	3,335,633	3,697,288
Professional fees	85,302	65,424
Rent and utilities	780,845	783,315
Miscellaneous	1,855,401	756,483
Total operating expenses	<u>38,564,845</u>	<u>36,039,311</u>
Operating income	<u>3,871,133</u>	<u>4,663,836</u>
NONOPERATING REVENUE (EXPENSE)		
Investment income	362,112	1,581,688
Interest expense	(29,167)	(12,086)
Total nonoperating revenue	<u>332,945</u>	<u>1,569,602</u>
CHANGE IN NET POSITION	4,204,078	6,233,438
NET POSITION, <i>beginning of year</i>	<u>45,119,924</u>	<u>38,886,486</u>
NET POSITION, <i>end of year</i>	<u>\$ 49,324,002</u>	<u>\$ 45,119,924</u>

See accompanying Notes to Financial Statements.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from customers	\$ 42,197,410	\$ 40,959,570
Cash payments		
Personal services and employee benefits	(3,228,438)	(3,228,743)
Goods and services	(39,504,632)	(31,958,309)
	<u>(535,660)</u>	<u>5,772,518</u>
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(734,322)	(123,641)
Principal payments on revenue bonds payable	(1,215,000)	(1,190,000)
Interest payments on revenue bonds payable	(89,506)	(117,946)
	<u>(2,038,828)</u>	<u>(1,431,587)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Proceeds from sale or redemption of investments	40,424,756	29,968,651
Purchase of investments	(39,567,815)	(22,254,241)
Investment income	362,112	1,581,688
	<u>1,219,053</u>	<u>9,296,098</u>
Net (decrease) increase in cash and cash equivalents	(1,355,435)	13,637,029
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	94,956,001	81,318,972
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 93,600,566</u>	<u>\$ 94,956,001</u>

See accompanying Notes to Financial Statements.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Statements of Cash Flows - Continued

	Years Ended December 31,	
	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 3,871,133	\$ 4,663,836
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	486,466	525,026
Changes in		
Accounts receivable	(213,231)	196,343
Due from other governments	-	941
Due from the Town of Islip	(25,337)	59,139
Prepaid expenses	(64,443)	12,933
Accounts payable and accrued expenses	388,477	15,606
Due to other governments	57,025	(9,427)
Due to the Town of Islip	(2,911)	269,110
Landfill closure and post-closure obligation	(6,360,396)	(691,694)
Compensated absences	77,893	49,596
Net pension liability	1,101,396	213,423
Deferred outflows of resources, pensions	(648,545)	308,164
Deferred inflows of resources, pensions	(107,259)	(469,895)
Other postemployment benefits liability	1,705,734	2,803,796
Deferred outflows of resources, OPEB	(812,325)	(2,861,771)
Deferred inflows of resources, OPEB	10,663	687,392
	<u>\$ (535,660)</u>	<u>\$ 5,772,518</u>

See accompanying Notes to Financial Statements.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Notes to Financial Statements

December 31, 2020 and 2019

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Islip Resource Recovery Agency (Agency) was authorized by the New York State Legislature and established by a referendum approved by a majority of the Town of Islip's voters in 1982 as a body corporate and politic constituting a public benefit corporation and a public authority of the State of New York pursuant to the Islip Resource Recovery Agency Act (Act).

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

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

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

b. Basis of Accounting and Presentation of Financial Statements

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

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

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

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Notes to Financial Statements

December 31, 2020 and 2019

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

b. Basis of Accounting and Presentation of Financial Statements - Continued

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

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

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

c. Budgetary Accounting

The Agency is not required by law to establish a budget. For management control purposes, budgeting is utilized for various activities. The initial budget is approved by the Agency's Board of Directors and subsequent amendments are made by management.

d. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

e. Fair Value Measurements

The Agency reports certain assets at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

f. Cash, Cash Equivalents and Investments

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

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Notes to Financial Statements

December 31, 2020 and 2019

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

f. Cash, Cash Equivalents and Investments - Continued

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

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

The Agency reports investments at fair value.

g. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has established an allowance for uncollectible accounts of \$77,963 and \$64,738 for the years ended December 31, 2020 and 2019, respectively.

h. Capital Assets

Capital assets are stated at cost, net of accumulated depreciation. Major expenditures for capital assets and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts, and resulting gains and losses are included in income. The assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

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

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Notes to Financial Statements

December 31, 2020 and 2019

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

h. Capital Assets - Continued

Long-lived assets held and used in operations are reviewed for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. No impairment occurred for the years ended December 31, 2020 and 2019.

i. Landfill Closure and Post-Closure Costs

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

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

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

The estimated liability for landfill closure and post-closure care costs amounted to \$28,124,338 and \$34,484,734 as of December 31, 2020 and 2019, respectively. The estimated total cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of December 31, 2020 and 2019, respectively. However, the actual costs of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The amount recognized for the cleanfill landfill, Phase I, is based upon the usage of 96.75% and 95.18% of capacity for 2020 and 2019, respectively. The amount recognized for the cleanfill landfill, Phase II, is based on the usage of 97.76% and 96.97% of the capacity for 2020 and 2019, respectively. It is estimated that an additional \$301,260 for Phase I and \$311,903 for Phase II will be recognized as closure and post-closure care expenses between January 1, 2021 and 2023, when the sites are expected to be filled to capacity.

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

j. Insurance

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

Islip Resource Recovery Agency

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Notes to Financial Statements

December 31, 2020 and 2019

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

k. Compensated Absences

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

l. Pension Benefits

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

m. Postemployment Benefits

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

n. Deferred Outflows and Inflows of Resources

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

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

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

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Notes to Financial Statements

December 31, 2020 and 2019

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

n. Deferred Outflows and Inflows of Resources - Continued

The following is a summary of deferred outflows and inflows of resources as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferrals	\$ 1,087,009	\$ 438,464
OPEB related deferrals	3,674,096	2,861,771
Total deferred outflows	<u>\$ 4,761,105</u>	<u>\$ 3,300,235</u>
	December 31,	
	2020	2019
DEFERRED INFLOWS OF RESOURCES		
Pension related deferrals	\$ 42,309	\$ 149,568
OPEB related deferrals	1,858,668	1,848,005
Deferred gain on refinancing	-	45,820
Total deferred inflows of resources	<u>\$ 1,900,977</u>	<u>\$ 2,043,393</u>

o. Net Position

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

Debt Service Reserve

The bond indenture requires the Agency to maintain a reserve to fund future bond principal and interest payments. This requirement is equal to the maximum aggregate debt service on all series of bonds issued and outstanding under the indenture for a particular project in the current or any succeeding bond year. At December 31, 2020 and 2019, the minimum amount required was \$1,310,592. The Agency's debt service reserve was funded using bond proceeds and is therefore, excluded from restricted net position.

Capital Reserve

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

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Notes to Financial Statements

December 31, 2020 and 2019

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

o. Net Position - Continued

Capital Reserve - Continued

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

	December 31, 2020		
	Agency	Collection	Total
Capital Assets	\$ 1,878,050	\$ 1,095,534	\$ 2,973,584
Bonds outstanding	(2,530,000)	-	(2,530,000)
Debt service reserve fund	1,310,592	-	1,310,592
Net investment in capital assets	<u>\$ 658,642</u>	<u>\$ 1,095,534</u>	<u>\$ 1,754,176</u>

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

p. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 22, 2021, the date the financial statements were available to be issued.

Note 2 - Cash, Equivalents, and Investments

a. Cash and Cash Equivalents and Investments

The Town maintains a consolidated account and temporary investments with a financial institution on behalf of the Agency. The amount held by the Town on behalf of the Agency was \$84,713,440 and \$87,070,611 as of December 31, 2020 and 2019, respectively. The Agency's other cash and cash equivalents consist of deposit accounts.

Islip Resource Recovery Agency

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Notes to Financial Statements December 31, 2020 and 2019

Note 2 - Cash, Equivalents, and Investments - Continued

b. Investments

The Agency's investments consist exclusively of money market funds as of December 31, 2020 and 2019. The Agency's money market fund is a mutual fund subject to the maturity, quality, liquidity and diversification requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and seeks to maintain a stable share price of \$1.00. It normally invests at least 99.5% of its total assets in securities issued or guaranteed as to principal and interest by the U.S. government or its agencies or instrumentalities, repurchase agreements collateralized solely by cash and/or government securities, and cash. The money market fund had a AAA rating by S&P and Moody's as of December 31, 2020.

c. Fair Value Measurements

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2020 and 2019:

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

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

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Notes to Financial Statements

December 31, 2020 and 2019

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

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

	December 31,	
	2020	2019
Due from the Town of Islip		
Tipping fees	\$ 34,856	\$ 4,499
Clean air act reimbursement	177,432	182,452
	<u>\$ 212,288</u>	<u>\$ 186,951</u>
Accounts receivable, net		
Tipping fees	\$ 335,889	\$ 320,379
Recyclable sales	14,583	7,387
Electricity sales	762,354	557,095
Other	66,411	67,560
	<u>1,179,237</u>	<u>952,421</u>
Less allowance for doubtful accounts	<u>(77,963)</u>	<u>(64,378)</u>
	<u>\$ 1,101,274</u>	<u>\$ 888,043</u>

Amounts due to other governments consist of the following:

	December 31, 2020		
	Agency Fund	Collection Unit Fund	Total
Due to the Town of Islip			
General liability insurance	\$ 8,200	\$ 50,800	\$ 59,000
Workers compensation	25,622	45,115	70,737
Administrative overhead	964,502	-	964,502
Total	<u>\$ 998,324</u>	<u>\$ 95,915</u>	<u>\$ 1,094,239</u>
Due to other governments			
Town of Brookhaven - ash disposal	<u>\$ 316,851</u>	<u>\$ -</u>	<u>\$ 316,851</u>

Islip Resource Recovery Agency

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Notes to Financial Statements December 31, 2020 and 2019

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

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

Note 4 - Capital Assets

Activity for capital assets is summarized as follows:

	December 31, 2019	Additions	Dispositions	December 31, 2020
Depreciable assets				
MacArthur Resource Recovery Facility	\$ 83,501,045	\$ -	\$ -	\$ 83,501,045
Buildings and site improvements	3,382,572	-	-	3,382,572
Machinery and equipment	8,720,413	734,322	-	9,454,735
Furniture and fixtures	174,025	-	-	174,025
	<u>95,778,055</u>	<u>734,322</u>	<u>-</u>	<u>96,512,377</u>
Accumulated depreciation	<u>(94,650,148)</u>	<u>(486,466)</u>		<u>(95,136,614)</u>
Total depreciable assets, net	<u>1,127,907</u>	<u>247,856</u>	<u>-</u>	<u>1,375,763</u>
Non-depreciable assets				
Land	<u>1,597,821</u>	<u>-</u>	<u>-</u>	<u>1,597,821</u>
Total	<u>\$ 2,725,728</u>	<u>\$ 247,856</u>	<u>\$ -</u>	<u>\$ 2,973,584</u>
	December 31, 2018	Additions	Dispositions	December 31, 2019
Depreciable assets				
MacArthur Resource Recovery Facility	\$ 83,501,045	\$ -	\$ -	\$ 83,501,045
Buildings and site improvements	3,382,572	-	-	3,382,572
Machinery and equipment	8,671,455	118,967	(70,009)	8,720,413
Furniture and fixtures	171,430	4,673	(2,078)	174,025
	<u>95,726,502</u>	<u>123,640</u>	<u>(72,087)</u>	<u>95,778,055</u>
Accumulated depreciation	<u>(94,197,210)</u>	<u>(525,025)</u>	<u>72,087</u>	<u>(94,650,148)</u>
Total depreciable assets, net	<u>1,529,292</u>	<u>(401,385)</u>	<u>-</u>	<u>1,127,907</u>
Non-depreciable assets				
Land	<u>1,597,821</u>	<u>-</u>	<u>-</u>	<u>1,597,821</u>
Total	<u>\$ 3,127,113</u>	<u>\$ (401,385)</u>	<u>\$ -</u>	<u>\$ 2,725,728</u>

Islip Resource Recovery Agency

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Notes to Financial Statements December 31, 2020 and 2019

Note 5 - Long-Term Liabilities

The following tables summarize the Agency's long-term liabilities for the years ended December 31, 2020 and 2019.

	January 1, 2020	Additions	Deletions	December 31 2020	Due Within One Year
Bonds payable	\$ 3,745,000	\$ -	\$ (1,215,000)	\$ 2,530,000	\$ 1,250,000
Compensated absences	386,542		77,893	464,435	46,000
Net pension liability	403,777	1,319,134	(217,738)	1,505,173	-
Other postemployment benefits	15,737,171	2,180,351	(474,617)	17,442,905	-
Landfill closure and post-closure costs	34,484,734	446,779	(6,807,175)	28,124,338	360,000
Total	<u>\$ 54,757,224</u>	<u>\$ 3,946,264</u>	<u>\$ (8,636,637)</u>	<u>\$ 50,066,851</u>	<u>\$ 1,656,000</u>

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

Note 6 - Revenue Bonds Payable

On July 2, 2014, the Agency issued \$9,425,000 in Series G 2014 Revenue Refunding Bonds at an interest rate of 2.390% to refund \$10,690,000 in Series E 2004 bonds. Annual principal payments are required through 2022.

The Agency's constitutional debt limit at December 31, 2020 and 2019, was \$50,000,000. The bond indenture limits indebtedness to the amounts issued under that agreement. The Agency also covenants and agrees not to sell, convey, transfer, mortgage, or encumber its interest in the project, except as specifically allowed, so long as the bonds are outstanding.

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

	Principal	Interest	Total
For the year ending December 31,			
2021	\$ 1,250,000	\$ 60,466	\$ 1,310,466
2022	1,280,000	30,592	1,310,592
	<u>\$ 2,530,000</u>	<u>\$ 91,058</u>	<u>\$ 2,621,058</u>

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Notes to Financial Statements

December 31, 2020 and 2019

Note 7 - New York State Retirement System

Plan Description and Benefits Provided

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

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

Contributions

Employees in Tiers I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary, Tier V employees who contribute 3% of their salary, and Tier VI employees who contribute between 3% and 6% of their salary. Under the authority of the System, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The Agency's contributions for the current year and two preceding years were equal to 100 percent of the required contributions, and were as follows:

2020	\$ 228,526
2019	240,336
2018	263,214

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

At December 31, 2020 and 2019, the Agency reported liabilities of \$1,505,173 and \$403,777 for its proportionate share of the net pension liability, respectively. The net pension liabilities were measured as of March 31, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2020 and 2019, the Agency's proportion was .0056841% and 0.0056988%, respectively.

For the years ended December 31, 2020 and 2019, the Agency recognized pension expense of \$516,988 and \$269,429, respectively.

Islip Resource Recovery Agency

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Notes to Financial Statements

December 31, 2020 and 2019

Note 7 - New York State Retirement System - Continued

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

At December 31, 2020 and 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,586	\$ -	\$ 79,511	\$ 27,105
Changes of assumptions	30,307	26,170	101,494	-
Net differences between projected and actual investment earnings on pension plan investments	771,625	-	-	103,632
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,096	16,139	39,721	18,831
Agency contributions subsequent to the measurement date	171,395	-	217,738	-
Total	<u>\$ 1,087,009</u>	<u>\$ 42,309</u>	<u>\$ 438,464</u>	<u>\$ 149,568</u>

Agency contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2021	\$ 149,019
2022	222,329
2023	278,744
2024	<u>223,213</u>
Total	<u>\$ 873,305</u>

Actuarial Assumptions

The total pension liability at March 31, 2020 and 2019 was determined by using actuarial valuations as of April 1, 2019 and 2018, respectively, with update procedures used to roll forward the total pension liability to March 31, 2020 and 2019. The actuarial valuations used the following actuarial assumptions:

	March 31,	
	2020	2019
Investment rate of return (net of investment expense, including inflation)	6.80%	7.00%
Salary scale	4.20%	3.80%
Cost of living adjustments	1.30%	1.30%
Inflation	2.50%	2.50%

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Notes to Financial Statements

December 31, 2020 and 2019

Note 7 - New York State Retirement System - Continued

Actuarial Assumptions - Continued

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Absolute return strategies	2.00%	3.25%
Opportunistic portfolio	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation-Indexed bonds	4.00%	0.50%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% and 7.0% for the years ended March 31, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Agency's proportionate share of the net pension liability at December 31, 2020 and 2019 calculated using the discount rates of 6.80% and 7.0%, respectively, as well as what the Agency's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than those rates:

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Notes to Financial Statements

December 31, 2020 and 2019

Note 7 - New York State Retirement System - Continued

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

	December 31, 2020		
	1% Decrease (5.8%)	Discount (6.8%)	1% Increase (7.8%)
Agency's proportionate share of the net pension liability	\$ 2,762,419	\$ 1,505,173	\$ 347,246
	December 31, 2019		
	1% Decrease (6.0%)	Discount (7.0%)	1% Increase (8.0%)
Agency's proportionate share of the net pension liability (asset)	\$ 1,765,378	\$ 403,777	\$ (740,064)

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):

	2020	2019
Employers' total pension liability	\$ 194,596,261	\$ 189,803,429
Plan net position	(168,115,682)	(182,718,124)
Employers' net pension liability	<u>\$ 26,480,579</u>	<u>\$ 7,085,305</u>
Ratio of plan net position to the employers' total pension liability	<u>86.4%</u>	<u>96.3%</u>

Note 8 - Other Postemployment Benefits (OPEB)

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

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Notes to Financial Statements December 31, 2020 and 2019

Note 8 - Other Postemployment Benefits (OPEB) - Continued

The benefit plan is administered and accounted for as a single-employer defined benefit plan. A summary of active employees and retired employees covered under this benefit plan as of December 31, 2020 is as follows:

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

The contribution requirements of benefit plan members and the Agency are established pursuant to applicable collective bargaining and employment agreements. The required rates of the employer and the members may vary depending on the applicable agreement. The Agency is not required to fund the benefit plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the years ended December 31, 2020 and 2019, the Agency paid \$474,617 and \$453,607, respectively, on behalf of the plan members. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

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

At December 31, 2020 and 2019, the Agency reported a liability of \$17,442,905 and \$15,737,171 for its OPEB liability, respectively. The OPEB liability was measured as of January 1, 2019 by an actuarial valuation as of that date. For the years ended December 31, 2020 and 2019, the Agency recognized OPEB expense of \$1,378,689 and \$1,183,024, respectively. At December 31, 2020 and 2019, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resource	Deferred Outflows of Resources	Deferred Inflows of Resource
Differences between expected and actual experience	\$ 93,350	\$ 1,101,235	\$ 115,844	\$ -
Changes of assumptions	3,580,746	757,433	2,745,927	1,848,005
Total	\$ 3,674,096	\$ 1,858,668	\$ 2,861,771	\$ 1,848,005

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Notes to Financial Statements December 31, 2020 and 2019

Note 8 - Other Postemployment Benefits (OPEB) - Continued

OPEB Liabilities, OPEB Expense, and Deferred Inflows of Resources Related to OPEB - Continued

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

Year ending December 31,	
2021	\$ 380,090
2022	380,090
2023	380,090
2024	429,017
2025	246,141
	<u>\$ 1,815,428</u>

Actuarial Assumptions. The total OPEB liability in the December 31, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>Factor</u>
Discount Rate	2.74% - January 1st; 2.12% December 31st
Measurement Date	January 1, 2019
Payroll Growth	2.50%
Mortality	Utilized rates developed in the report, "New York State/SUNY GASB 45 Valuation Development of Recommended Actuarial Assumptions - Participating Agency Version" prepared in September 2016. Based on the experienced under the New York State and Local Retirement System and the New York State Teachers' Retirement System projected generationally using the MP-2016 Projection Scale.
Termination Rates	Crocker-Sarason T-6 withdrawal table
Participation Rate	100% of current active employees, assumed 75% of male and 50% of female employee will elect spousal coverage.
Actuarial Cost Method	Entry Age Actuarial

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

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

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Notes to Financial Statements December 31, 2020 and 2019

Note 8 - Other Postemployment Benefits (OPEB) - Continued

Schedule of Changes in Net OPEB Liability

Balance at January 1, 2020	<u>\$ 15,737,171</u>
<i>Changes for the year</i>	
Service cost	558,556
Interest	440,043
Differences between expected and actual experience	(462,625)
Changes in assumptions and other inputs	1,644,377
Benefit payments	<u>(474,617)</u>
Net changes	<u>1,705,734</u>
Balance at December 31, 2020	<u>\$ 17,442,905</u>

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

The following presents the OPEB Liability of the plan as of December 31, 2020 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:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 14,422,479	\$ 17,442,905	\$ 21,394,172

The following presents the OPEB liability of the plan as of December 31, 2020, calculated using the discount rate of 2.12%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current rate:

	<u>1% Decrease 1.12%</u>	<u>Current Discount Rate 2.12%</u>	<u>1% Increase 3.12%</u>
Total OPEB Liability	\$ 20,676,027	\$ 17,442,905	\$ 14,902,821

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Notes to Financial Statements

December 31, 2020 and 2019

Note 9 - Related Party Transactions

On December 1, 1985, the Agency entered into a solid waste management agreement with the Town, as amended, that expires on December 1, 2023. Under the terms of the agreement, the Agency took title to the Town's solid waste disposal facilities for use in operations. The Town was retained by the Agency to provide management and administrative services for the Agency. The Town is reimbursed for these items through the remittance of administrative fees.

On an annual basis, the Agency and Town enter into a management services agreement, which defines the charges to the Agency for services provided by the Town. The administrative fees expense amounted to \$9,938,250 and \$9,872,935 for the years ended December 31, 2020 and 2019, respectively.

In April 1989, the Agency entered into an agreement to lease the Blydenburgh Landfill and the Sayville Landfill Facility (inclusive of the material recovery facility) to the Town for a period of 99 years. The annual lease payment is \$1 for each of the facilities.

Tipping fees revenue earned from the disposal of Town waste was approximately \$1,345,544 and \$1,181,110 for the years ended December 31, 2020 and 2019, respectively.

Note 10 - Commitments and Contingencies

a. Litigation

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

b. Environmental Risks

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

c. Operation of MacArthur Resource Recovery Facility

The MacArthur Resource Recovery Facility (Facility) is operated by Convanta Holding Corporation (Company) under an agreement that expires on March 10, 2030. The agreement may be extended for a period up to five (5) years. Under the terms of the agreement, the Company receives a service fee. The service fee consists of base, ash management, and operating fees which are determined by the number of tons of municipal solid waste processed (\$2 per ton of municipal solid waste transferred through the station in any calendar year above 25,000 tons), plus 85% of the revenue from the sale of recovered materials, and 25% of the revenue from the sale of electricity up to a threshold amount (53,152,847 kWh in 2020 and 2019). The Company also receives 50% of the revenue from the sale of any additional electricity sold each year.

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Notes to Financial Statements

December 31, 2020 and 2019

Note 10 - Commitments and Contingencies - Continued

c. Operation of MacArthur Resource Recovery Facility - 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.

d. COVID-19

As a result of the spread of the COVID-19 coronavirus during 2020 and 2021, the Agency has subsequently experienced increased residential waste volume and decreased construction/demolition and commercial waste volume. The net financial impact of these fluctuations is currently unknown. Other financial impacts could occur though such potential impacts are unknown at this time.

Note 11 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2020.

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Notes to Financial Statements

December 31, 2020 and 2019

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

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations; and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallbacks provisions to the reference rate. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of IBOR, such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifying the definition of reference rate. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods beginning after December 31, 2021. The requirements to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a government or nongovernment entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other

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December 31, 2020 and 2019

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

capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPP's meet the definition of a service concession arrangement (SCA), which GASB defines in this statement as a PPP in which: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 5, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITA) including the definition of a SBITA, establishment of a right-to-use subscription asset and related liability, providing capitalization criteria, and requiring note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement has three objectives: (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform; (2) to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans (OPEB), and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) to enhance the relevance, consistency, and comparability of the accounting and financial reporting for the Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this statement are effective immediately, and certain requirements are effective for reporting periods beginning after June 15, 2021.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0056841%	0.0056988%	0.0058980%	0.0059651%	0.0063837%	0.0065912%
Agency's proportionate share of the net pension liability	\$ 1,505,173	\$ 403,777	\$ 190,354	\$ 560,495	\$ 1,024,599	\$ 222,666
Agency's covered employee payroll	\$ 1,661,954	\$ 1,698,879	\$ 1,763,743	\$ 1,640,246	\$ 1,687,646	\$ 1,730,543
Agency's proportionate share of the net pension liability as a percentage of its covered employee payroll	90.57%	23.77%	10.79%	34.17%	60.71%	12.87%
ERS Plan fiduciary net position as a percentage of the total pension liability (March 31, ERS fiscal year end)	86.4%	96.3%	98.2%	94.70%	90.7%	97.9%

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

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**Required Supplementary Information -
Schedule of Pension Contributions**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 228,526	\$ 240,336	\$ 263,214	\$ 244,650	\$ 292,721	\$ 311,371	\$ 322,507	\$ 303,049	\$ 238,255	\$ 162,713
Contributions in relation to the contractually required contribution	228,526	240,336	263,214	244,650	292,721	311,371	322,507	303,049	238,255	162,713
Contribution deficiency or (excess)	-	-	-	-	-	-	-	-	-	-
Agency's covered employee payroll	1,661,954	1,698,879	1,763,743	1,640,246	1,687,646	1,730,543	1,611,363	1,621,591	1,551,878	1,518,335
Contributions as a percentage of covered employee payroll	13.75%	14.15%	14.92%	14.92%	17.34%	17.99%	20.01%	18.69%	15.35%	10.72%

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Required Supplementary Information - Schedule of Other Postemployment Benefits Liability

	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB liability, <i>beginning of year</i>	<u>\$ 15,737,171</u>	<u>\$ 12,933,375</u>	<u>\$ 13,761,154</u>
<i>Changes for the year</i>			
Service cost	558,556	386,620	381,530
Interest	440,043	514,928	480,914
Differences between expected and actual experience	(462,625)	(923,263)	-
Changes in assumptions and other inputs	1,644,377	3,279,118	(1,362,203)
Benefit payments	<u>(474,617)</u>	<u>(453,607)</u>	<u>(328,020)</u>
Net changes	<u>1,705,734</u>	<u>2,803,796</u>	<u>(827,779)</u>
Total OPEB liability, <i>end of year</i>	<u>17,442,905</u>	<u>15,737,171</u>	<u>12,933,375</u>
Plan fiduciary net position			
Contributions, employer	474,617	453,607	328,020
Benefit payments	<u>(474,617)</u>	<u>(453,607)</u>	<u>(328,020)</u>
Net changes in plan fiduciary net position	-	-	-
Plan fiduciary net position, <i>beginning of year</i>	-	-	-
Plan fiduciary net position, <i>end of year</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 17,442,905</u>	<u>\$ 15,737,171</u>	<u>\$ 12,933,375</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 1,591,547	\$ 1,552,729	\$ 1,698,879
Net OPEB liability as a percentage of covered employee payroll	1095.97%	1013.52%	761.29%

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

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Supplementary Information - Combining Fund Statements of Net Position

	December 31, 2020		
	Agency	Collection	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 85,497,666	\$ 8,102,900	\$ 93,600,566
Investments	2,039,682	-	2,039,682
Accounts receivable, net	1,101,274	-	1,101,274
Due from the Town of Islip	212,288	-	212,288
Prepaid expenses	120,469	207,004	327,473
Total current assets	88,971,379	8,309,904	97,281,283
NON-CURRENT ASSETS			
Capital assets, net	1,878,050	1,095,534	2,973,584
Total assets	90,849,429	9,405,438	100,254,867
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferrals	369,809	717,200	1,087,009
OPEB related deferrals	974,510	2,699,586	3,674,096
Total deferred outflows	1,344,319	3,416,786	4,761,105
Total assets and deferred outflows of resources	\$ 92,193,748	\$ 12,822,224	\$ 105,015,972
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 2,236,502	\$ 46,316	\$ 2,282,818
Accrued interest on bonds	30,234	-	30,234
Due to the Town of Islip	998,324	95,915	1,094,239
Due to other governments	316,851	-	316,851
Current portion of non-current liabilities	1,633,952	22,048	1,656,000
Total current liabilities	5,215,863	164,279	5,380,142
NON-CURRENT LIABILITIES			
Landfill closure and post-closure obligation, less current portion	27,764,338	-	27,764,338
Bonds payable, less current portion	1,280,000	-	1,280,000
Compensated absences	217,873	200,562	418,435
Net pension liability	511,759	993,414	1,505,173
Other postemployment benefits liability	4,845,657	12,597,248	17,442,905
Total non-current liabilities	34,619,627	13,791,224	48,410,851
Total liabilities	39,835,490	13,955,503	53,790,993
DEFERRED INFLOW OF RESOURCES			
Pension related deferrals	14,385	27,924	42,309
OPEB related deferrals	1,033,868	824,800	1,858,668
Total deferred inflows of resources	1,048,253	852,724	1,900,977
NET POSITION			
Net investment in capital assets	658,642	1,095,534	1,754,176
Restricted	2,500,000	-	2,500,000
Unrestricted	48,151,363	(3,081,537)	45,069,826
Total net position	51,310,005	(1,986,003)	49,324,002
Total liabilities, deferred inflows of resources and net position	\$ 92,193,748	\$ 12,822,224	\$ 105,015,972

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Supplementary Information - Combining Fund Statements of Net Position

	December 31, 2019		
	Agency	Collection	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 86,321,987	\$ 8,634,014	\$ 94,956,001
Investments	2,896,623	-	2,896,623
Accounts receivable, net	888,043	-	888,043
Due from the Town of Islip	186,951	-	186,951
Prepaid expenses	95,192	167,838	263,030
Total current assets	<u>90,388,796</u>	<u>8,801,852</u>	<u>99,190,648</u>
NON-CURRENT ASSETS			
Capital assets, net	1,939,213	786,515	2,725,728
Total assets	<u>92,328,009</u>	<u>9,588,367</u>	<u>101,916,376</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferrals	149,078	289,386	438,464
OPEB related deferrals	746,381	2,115,390	2,861,771
Total deferred outflows of resources	<u>895,459</u>	<u>2,404,776</u>	<u>3,300,235</u>
Total assets and deferred outflows of resources	<u>\$ 93,223,468</u>	<u>\$ 11,993,143</u>	<u>\$ 105,216,611</u>
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 1,822,090	\$ 72,251	1,894,341
Accrued interest on bonds	44,753	-	44,753
Due to the Town of Islip	951,154	145,996	1,097,150
Due to other governments	259,826	-	259,826
Current portion of non-current liabilities	7,253,883	18,517	7,272,400
Total current liabilities	<u>10,331,706</u>	<u>236,764</u>	<u>10,568,470</u>
NON-CURRENT LIABILITIES			
Landfill closure and post-closure obligation, less current portion	28,466,334	-	28,466,334
Bonds payable, less current portion	2,530,000	-	2,530,000
Compensated absences	182,527	165,015	347,542
Net pension liability	137,284	266,493	403,777
Other postemployment benefits liability	4,367,776	11,369,395	15,737,171
Total non-current liabilities	<u>35,683,921</u>	<u>11,800,903</u>	<u>47,484,824</u>
Total liabilities	<u>46,015,627</u>	<u>12,037,667</u>	<u>58,053,294</u>
DEFERRED INFLOW OF RESOURCES			
Pension related deferrals	50,854	98,714	149,568
OPEB related deferrals	1,195,084	652,921	1,848,005
Deferred gain on refinancing	45,820	-	45,820
Total deferred inflows of resources	<u>1,291,758</u>	<u>751,635</u>	<u>2,043,393</u>
NET POSITION			
Net investment in capital assets	(541,015)	786,515	245,500
Restricted	2,500,000	-	2,500,000
Unrestricted	43,957,098	(1,582,674)	42,374,424
Total net position	<u>45,916,083</u>	<u>(796,159)</u>	<u>45,119,924</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 93,223,468</u>	<u>\$ 11,993,143</u>	<u>\$ 105,216,611</u>

See Independent Auditor's Report.

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

	Year Ended December 31, 2020		
	Agency	Collection	Total
OPERATING REVENUE			
Tipping fees	\$ 34,833,377	\$ -	\$ 34,833,377
Collections	-	3,023,979	3,023,979
Sale of electricity	3,436,452	-	3,436,452
Recycling	115,818	-	115,818
Compost sales	205,496	-	205,496
Rent revenue	207,913	-	207,913
Ash disposal	344,162	-	344,162
Other revenue	213,148	55,633	268,781
Total operating revenue	<u>39,356,366</u>	<u>3,079,612</u>	<u>42,435,978</u>
OPERATING EXPENSES			
Administrative fees	9,938,250	-	9,938,250
Service fees	13,596,585	-	13,596,585
Ash treatment	3,749,745	-	3,749,745
Intermunicipal tipping fees	146,114	-	146,114
Depreciation	62,067	424,399	486,466
Landfill closure and post-closure costs	34,509	-	34,509
Personal services	672,250	1,264,931	1,937,181
Employee benefits	564,412	2,054,402	2,618,814
Contractual expenses	2,871,964	463,669	3,335,633
Professional fees	85,302	-	85,302
Rent and utilities	686,207	94,638	780,845
Miscellaneous	1,855,401	-	1,855,401
Total operating expenses	<u>34,262,806</u>	<u>4,302,039</u>	<u>38,564,845</u>
Operating income (loss)	<u>5,093,560</u>	<u>(1,222,427)</u>	<u>3,871,133</u>
NONOPERATING REVENUE (EXPENSE)			
Investment income	329,529	32,583	362,112
Interest expense	(29,167)	-	(29,167)
Total nonoperating revenue	<u>300,362</u>	<u>32,583</u>	<u>332,945</u>
CHANGE IN NET POSITION	5,393,922	(1,189,844)	4,204,078
NET POSITION, beginning of year	<u>45,916,083</u>	<u>(796,159)</u>	<u>45,119,924</u>
NET POSITION, end of year	<u>\$ 51,310,005</u>	<u>\$ (1,986,003)</u>	<u>\$ 49,324,002</u>

See Independent Auditor's Report.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

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

	Year Ended December 31, 2019		
	Agency	Collection	Total
OPERATING REVENUE			
Tipping fees	\$ 33,339,766	\$ -	\$ 33,339,766
Collections	-	3,020,181	3,020,181
Sale of electricity	3,024,506	-	3,024,506
Recycling	187,039	-	187,039
Compost sales	257,318	-	257,318
Rent revenue	211,135	-	211,135
Operating grants	18,269	(2,483)	15,786
Ash disposal	290,483	-	290,483
Other revenue	305,958	50,975	356,933
Total operating revenue	<u>37,634,474</u>	<u>3,068,673</u>	<u>40,703,147</u>
OPERATING EXPENSES			
Administrative fees	9,872,935	-	9,872,935
Service fees	13,192,548	-	13,192,548
Ash treatment	3,210,243	-	3,210,243
Intermunicipal tipping fees	143,408	-	143,408
Depreciation	62,235	462,791	525,026
Landfill closure and post-closure costs	(166,807)	-	(166,807)
Personal services	614,779	1,177,342	1,792,121
Employee benefits	384,677	1,782,650	2,167,327
Contractual expenses	3,201,226	496,062	3,697,288
Professional fees	65,424	-	65,424
Rent and utilities	686,546	96,769	783,315
Miscellaneous	756,483	-	756,483
Total operating expenses	<u>32,023,697</u>	<u>4,015,614</u>	<u>36,039,311</u>
Operating income (loss)	<u>5,610,777</u>	<u>(946,941)</u>	<u>4,663,836</u>
NONOPERATING REVENUE (EXPENSE)			
Investment income	1,441,306	140,382	1,581,688
Interest expense	(12,086)	-	(12,086)
Total nonoperating revenue	<u>1,429,220</u>	<u>140,382</u>	<u>1,569,602</u>
CHANGE IN NET POSITION	7,039,997	(806,559)	6,233,438
NET POSITION, beginning of year	<u>38,876,086</u>	<u>10,400</u>	<u>38,886,486</u>
NET POSITION, end of year	<u>\$ 45,916,083</u>	<u>\$ (796,159)</u>	<u>\$ 45,119,924</u>

See Independent Auditor's Report.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Supplementary Information - Combining Fund Statements of Cash Flows

	Year Ended December 31, 2020		
	Agency	Collection	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Cash received from customers	\$ 39,117,798	\$ 3,079,612	\$ 42,197,410
Cash payments			
Personal services and employee benefits	(992,036)	(2,236,402)	(3,228,438)
Goods and services	(38,831,143)	(673,489)	(39,504,632)
	<u>(705,381)</u>	<u>169,721</u>	<u>(535,660)</u>
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(904)	(733,418)	(734,322)
Principal payments on revenue bonds payable	(1,215,000)	-	(1,215,000)
Interest payments on revenue bonds payable	(89,506)	-	(89,506)
	<u>(1,305,410)</u>	<u>(733,418)</u>	<u>(2,038,828)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES			
Proceeds from sale or redemption of investments	40,424,756	-	40,424,756
Purchase of investments	(39,567,815)	-	(39,567,815)
Investment income	329,529	32,583	362,112
	<u>1,186,470</u>	<u>32,583</u>	<u>1,219,053</u>
Net decrease in cash and cash equivalents	(824,321)	(531,114)	(1,355,435)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	86,321,987	8,634,014	94,956,001
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 85,497,666</u>	<u>\$ 8,102,900</u>	<u>\$ 93,600,566</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 5,093,560	\$ (1,222,427)	\$ 3,871,133
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	62,067	424,399	486,466
Changes in			
Accounts receivable	(213,231)	-	(213,231)
Due from the Town of Islip	(25,337)	-	(25,337)
Prepaid expenses	(25,277)	(39,166)	(64,443)
Deferred outflows of resources, pensions	(220,731)	(427,814)	(648,545)
Accounts payable and accrued expenses	414,412	(25,935)	388,477
Due to other governments	57,025	-	57,025
Due to the Town of Islip	47,170	(50,081)	(2,911)
Landfill closure and post-closure obligation	(6,360,396)	-	(6,360,396)
Compensated absences	38,815	39,078	77,893
Net pension liability	374,475	726,921	1,101,396
Deferred inflows of resources, pensions	(36,469)	(70,790)	(107,259)
Other postemployment benefits liability	477,881	1,227,853	1,705,734
Deferred outflows of resources, OPEB	(228,129)	(584,196)	(812,325)
Deferred inflows of resources, OPEB	(161,216)	171,879	10,663
	<u>\$ (705,381)</u>	<u>\$ 169,721</u>	<u>\$ (535,660)</u>

See Independent Auditor's Report.

Islip Resource Recovery Agency

(A Component Unit of the Town of Islip)

Supplementary Information - Combining Fund Statements of Cash Flows

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



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

Board of Directors
Islip Resource Recovery Agency
Islip, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Islip Resource Recovery Agency (Agency), a component unit of the Town of Islip, as of and for the year ended December 31, 2020, 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 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BST+Co.CPAs, LLP

Albany, New York
March 22, 2021

