

TOWN OF SMITHTOWN
FINANCIAL STATEMENTS

December 31, 2018

**TOWN OF SMITHTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
TABLE OF CONTENTS**

INTRODUCTORY SECTION

Principal Officials	2
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	4-6
------------------------------------	-----

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis	9-22
--	------

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position	24
Statement of Activities	25

Fund Financial Statements

Governmental Fund Financial Statements:

Balance Sheet	26-27
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	30-31
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	33

Fiduciary Fund Financial Statement:

Statement of Fiduciary Assets and Liabilities	34
---	----

Notes to Financial Statements	36-72
-------------------------------------	-------

TOWN OF SMITHTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
TABLE OF CONTENTS

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Schedules of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual:

General Fund	74
Highway Fund	75
Refuse and Garbage Funds	76
Schedule of Changes in the Total Other Postemployment Liability and Related Ratio (OPEB).....	77
Schedule of Pension Contributions – Employee Retirement System.....	78
Schedule of Proportionate Share of the Net Pension Liability – Employee Retirement System.....	79

OTHER SUPPLEMENTARY INFORMATION

Combining Fund Statements

Nonmajor Governmental Funds:

Combining Balance Sheet	82-83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	84-85

INTRODUCTORY SECTION

TOWN OF SMITHTOWN
PRINCIPAL OFFICIALS
December 31, 2018

ELECTED OFFICIALS

TOWN BOARD:

Supervisor	Edward R. Wehrheim
Councilman / Deputy Supervisor	Thomas J. McCarthy
Councilman	Thomas W. Lohmann
Councilwoman	Lisa M. Inzerillo
Councilwoman	Lynne C. Nowick

TOWN CLERK

Vincent Puleo

RECEIVER OF TAXES

Deanna Varricchio

SUPERINTENDENT OF HIGHWAYS

Robert Murphy

APPOINTED OFFICIALS

Town Assessor	Peter D. Johnson
Town Attorney	Matthew Jakubowski
Town Comptroller	Donald P. Musgnug
Town Engineer	Mark Riley

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Town Board
Town of Smithtown
Smithtown, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Smithtown, New York (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Town'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 Town'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 opinions.

BEYOND THE NUMBERS...

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 39TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

25 SUFFOLK COURT
HAUPPAUGE, NY 11788-3715
T: 631.434.9500 F: 631.434.9518

Honorable Supervisor and Town Board
Town of Smithtown
Smithtown, New York

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Smithtown, New York as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Guidance

As described in Notes 1.H and 5 to the financial statements, during the year ended December 31, 2018 the Town adopted new accounting guidance, GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Accordingly, the net position of the governmental activities has been restated as of January 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Town's total other postemployment benefits (OPEB) liability and related ratio, schedule of pension contributions – employee retirement system and schedule of proportionate share of the net pension liability – employee retirement system as listed in the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Supervisor and Town Board
Town of Smithtown
Smithtown, New York

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2019, on our consideration of the Town'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 Town'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 Town's internal control over financial reporting and compliance.

Alut, Vazjan, Zak & Conroy P.C.

Hauppauge, New York
August 21, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

As management of the Town of Smithtown (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements:

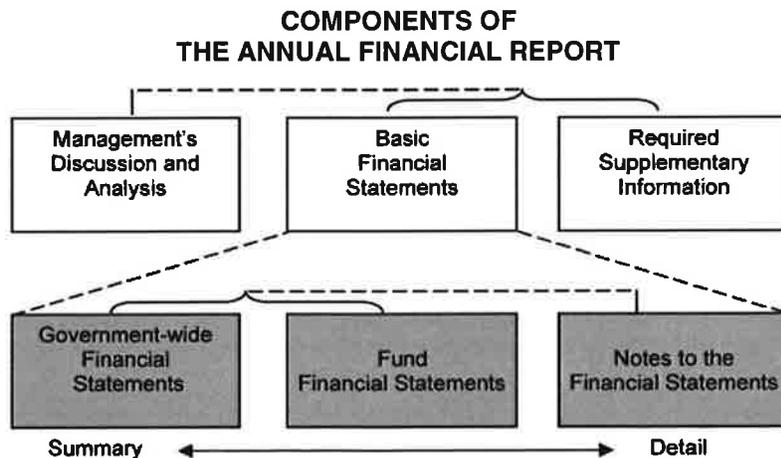
- The liabilities and deferred inflows of resources of the Town exceed its assets and deferred outflows of resources at the close of 2018 by \$100,304,634 (net position).
- The Town's change in net position from recurring operations decreased \$17,690,149, primarily due to the ongoing recognition of the Town's postemployment benefits healthcare costs (OPEB) costs approximating \$16,767,931.
- Net position further declined by the cumulative effect of a change in accounting principle regarding the implementation of GASB Statement No. 75 for OPEB of \$113,435,370. The resulting total change in net position amounted to a decrease of \$131,125,519.

Fund Financial Statements

- As of the close of 2018, the Town's governmental funds reported combined ending fund balances of \$45,776,784, a decrease of 8.3% or \$4,121,835. Of the fund balance amount, \$3,448,284 is in non-spendable form or is required to remain intact. The remaining \$42,328,500 or approximately 92.5% of total fund balances is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town Board's discretion.
- As of the close of 2018, the Town's total fund balance for the general fund was \$21,623,741, an increase of \$1,117,081 or 5.4% from the prior year. The assigned and unassigned fund balance for the general fund was \$15,766,769, or 34.7% of total general fund expenditures and other uses.
- The Town's total bonded debt outstanding, exclusive of premiums, was \$22,454,380, an increase of \$1,027,990.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves



TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the Town's financial condition.

The Statement of Net Position presents financial information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the two reported as net position. This combines and consolidates the Town's current financial resources with capital assets and long-term obligations. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's buildings, roads, drainage and other assets to assess the overall health of the Town.

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Town's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Town's fund financial statements.

The Town's government-wide financial statements include all of the governmental activities of the Town itself (known as the primary government).

Governmental Activities

The Town's basic services are reported here, including: general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation and home and community services. Property taxes, mortgage taxes, franchise fees, and state and federal grants finance these activities. The Town also charges user fees to customers to help it cover the cost of certain services it provides.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

The Town's activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

The Town maintains twelve (12) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the four (4) major funds. The general fund, highway fund, refuse and garbage fund and capital projects fund are reported as major funds. Data from the eight (8) other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the "Other Supplementary Information" section of this report.

The Town adopts an annual budget for its general fund and special revenue funds. The budget for the capital projects fund is done on a project-by-project basis. Budgetary comparison schedules have been provided for the general fund, highway fund and refuse and garbage fund to demonstrate compliance with their adopted budgets. Budgetary comparison schedule for these major funds can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis".

The governmental funds financial statements can be found in the "Basic Financial Statements" section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the "Basic Financial Statements" section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements, this report contains supplementary information immediately following the notes to the financial statements.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$100,304,634 at the close of the most recent year.

Condensed Statement of Net Position Governmental Activities as of December 31,	2018	(As Restated) 2017 *
Current and other assets		
Current assets	\$ 55,422,254	\$ 57,438,248
Capital assets	127,012,151	124,184,578
Other non-current assets	1,144,000	768,000
Total assets	<u>183,578,405</u>	<u>182,390,826</u>
Deferred outflows of resources	<u>37,092,539</u>	<u>74,680,267</u>
Current and other liabilities		
Current liabilities	13,764,533	12,619,053
Non-current liabilities	298,743,021	323,830,133
Total liabilities	<u>312,507,554</u>	<u>336,449,186</u>
Deferred inflows of resources	<u>8,468,024</u>	<u>3,236,392</u>
Net position		
Net investment in capital assets	105,525,039	105,055,497
Restricted	5,853,410	5,578,220
Unrestricted (deficit)	(211,683,083)	(193,248,202)
Total net position	<u>\$ (100,304,634)</u>	<u>\$ (82,614,485)</u>

* Certain amounts were restated to reflect the implementation of GASB Statement No. 75 and the related OPEB liability at December 31, 2017.

By far the largest portion of the Town's net position, \$105,525,039, reflects the net investment in capital assets (e.g., land and construction in progress, buildings and improvements, vehicles (including capital leases), machinery, furniture and office equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The deficit balance in unrestricted net position does not necessarily indicate fiscal stress. The deficit balance of unrestricted net position arose primarily due to long-term liabilities, which include general obligation bonds, compensated absences, capital leases, claims and judgments, net pension liability-proportionate share, estimated liability for landfill closure and postclosure care costs, pollution remediation obligations and postemployment benefits healthcare costs (OPEB) that will be funded through future budgetary appropriations when they become payable in future periods. At the end of the current year, the Town was able to report positive balances in the categories of net investment in capital assets and restricted net position. The same held true for the prior year.

Total assets increased by \$1,187,579, mainly due to an increase in capital assets of \$2,827,573 offset by a decrease in cash of \$1,441,227.

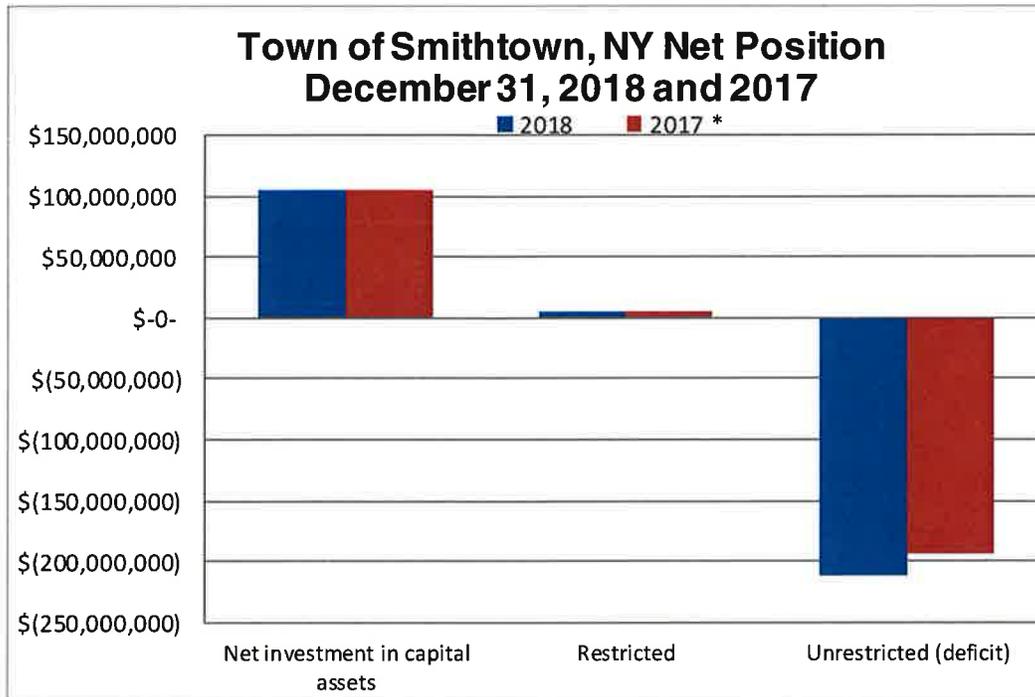
Deferred outflows of resources decreased by \$37,587,728 due to a decrease of \$35,346,388 in postemployment benefits healthcare costs, after the restatement, and a decrease of \$2,241,340 in pensions. See Note 3.F. for breakdown of deferred outflows of resources related to postemployment benefits healthcare costs and see Note 3.E. for breakdown of deferred outflows of resources related to pensions.

Restricted net position also increased by \$275,190 mostly due to an increase in funds restricted for debt service of \$284,009.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



The total net position of the Town as of December 31, 2018 was a deficit of \$100,304,634, an increase of \$17,690,149 from the prior year. Of the total net position, \$105,525,039 was the net investment in capital assets, while \$5,853,410 was restricted by statute or other specific purpose and \$211,683,083 was the unrestricted deficit.

Total net position deficit was again increased in the current year and will likely continue to increase in subsequent years due to the ongoing recognition of the Town's postemployment benefits healthcare (OPEB) costs. The unfunded liability for postemployment healthcare benefit costs increased due to the \$113,435,370 cumulative effect of applying GASB Statement No. 75 and the current year expense of \$23,489,304 bringing the OPEB liability at year end to \$248,737,246 and the related deferred outflow of resources to \$29,207,743. Additional information on postemployment benefits healthcare costs can be found in Note 3.F to the financial statements. In addition, the Town's share of the New York State Pension Plan net pension liability decreased as a result actual results exceeding projections, which provided an increase in net position of \$7,056,639. Additional information on the Town's pension plan can be found in Note 3.E to the financial statements.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Condensed Statement of Activities and Changes in Net Position

Governmental Activities

For the years ended December 31,

	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 33,208,132	\$ 33,572,704
Operating grants and contributions	1,674,312	2,407,216
Capital grants and contributions	1,922,059	2,274,496
	<u>36,804,503</u>	<u>38,254,416</u>
General revenues:		
Real property taxes	55,497,999	55,497,999
Other real property tax items	1,251,511	1,094,187
Non-property tax items - franchise fees	2,820,596	2,851,546
Mortgage tax	5,189,221	4,660,798
Investment earnings	589,116	236,825
Sale of property and compensation for loss	548,888	525,503
State aid - unrestricted	671,178	671,178
Other	923,686	764,219
	<u>67,492,195</u>	<u>66,302,255</u>
Total revenues	<u>104,296,698</u>	<u>104,556,671</u>
Expenses		
General government support	24,006,745	22,563,357
Public safety	13,557,795	12,438,314
Health	3,812,788	3,618,923
Transportation	36,437,639	32,868,744
Economic assistance and opportunity	110	640
Culture and recreation	15,092,509	13,466,496
Home and community services	28,422,174	28,723,711
Interest on debt	657,087	609,311
	<u>121,986,847</u>	<u>114,289,496</u>
Total expenses	<u>121,986,847</u>	<u>114,289,496</u>
Change in net position	(17,690,149)	(9,732,825)
Net position - beginning of year, as reported	30,820,885	40,553,710
Cumulative effect of change in accounting principle (See Note 5)	(113,435,370)	-0-
Net position - beginning of year, as restated *	<u>(82,614,485)</u>	<u>40,553,710</u>
Net position - end of year	<u>\$ (100,304,634)</u>	<u>\$ 30,820,885</u>

*The cumulative effect of applying GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", in the amount of \$113,435,370, is shown as an adjustment to the beginning net position of 2018. The condensed financial information for the Statement of Activities for the year ended December 31, 2017 was not restated as all information was not available.

The change in net position from all combined activities was a decrease of \$17,690,149. Additionally, net position declined due to the cumulative effect of change in accounting principle for applying GASB Statement No. 75 of \$113,435,370 resulting in a decrease in net position of \$131,125,519.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The key elements of the changes in net position was the recognition of OPEB costs of across the various functions as well as pension expense related to the net pension liability.

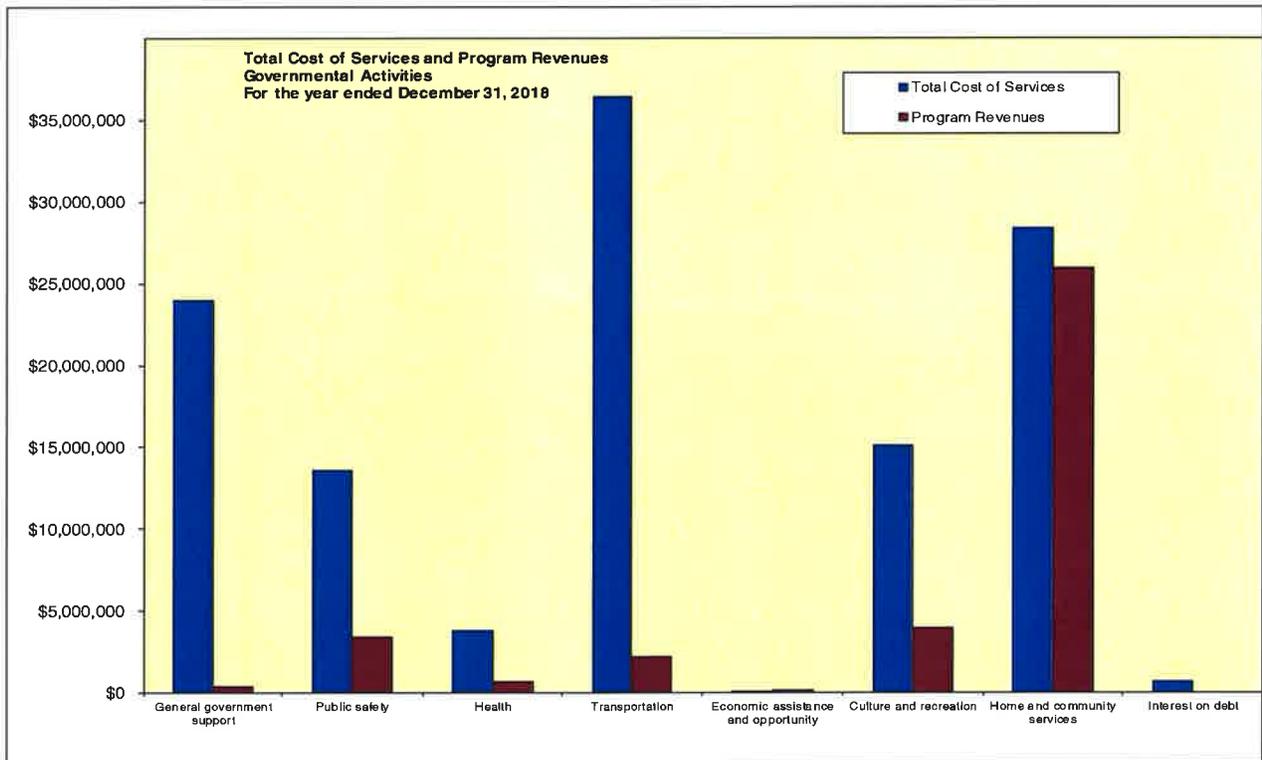
The following chart illustrates the total expenses by program function for the Town's governmental funds.

Total Cost of Services, Program Revenues and Net Cost of Services

Governmental Activities

For the years ended December 31,

	2018		2017		2018		2017	
	Total Cost of Services		Program Revenue		Net Cost of Services			
General government support	\$ 24,006,745	\$ 22,563,357	\$ 361,315	\$ 446,621	\$ (23,645,430)	\$ (22,116,736)		
Public safety	13,557,795	12,438,314	3,450,755	3,569,830	(10,107,040)	(8,868,484)		
Health	3,812,788	3,618,923	687,244	825,523	(3,125,544)	(2,793,400)		
Transportation	36,437,639	32,868,744	2,223,682	2,063,083	(34,213,957)	(30,805,661)		
Economic assistance and opportunity	110	640	128,855	59,840	128,745	59,200		
Culture and recreation	15,092,509	13,466,496	3,975,236	4,213,755	(11,117,273)	(9,252,741)		
Home and community services	28,422,174	28,723,711	25,977,416	27,075,764	(2,444,758)	(1,647,947)		
Interest on debt	657,087	609,311			(657,087)	(609,311)		
	<u>\$ 121,986,847</u>	<u>\$ 114,289,496</u>	<u>\$ 36,804,503</u>	<u>\$ 38,254,416</u>	<u>\$ (85,182,344)</u>	<u>\$ (76,035,080)</u>		



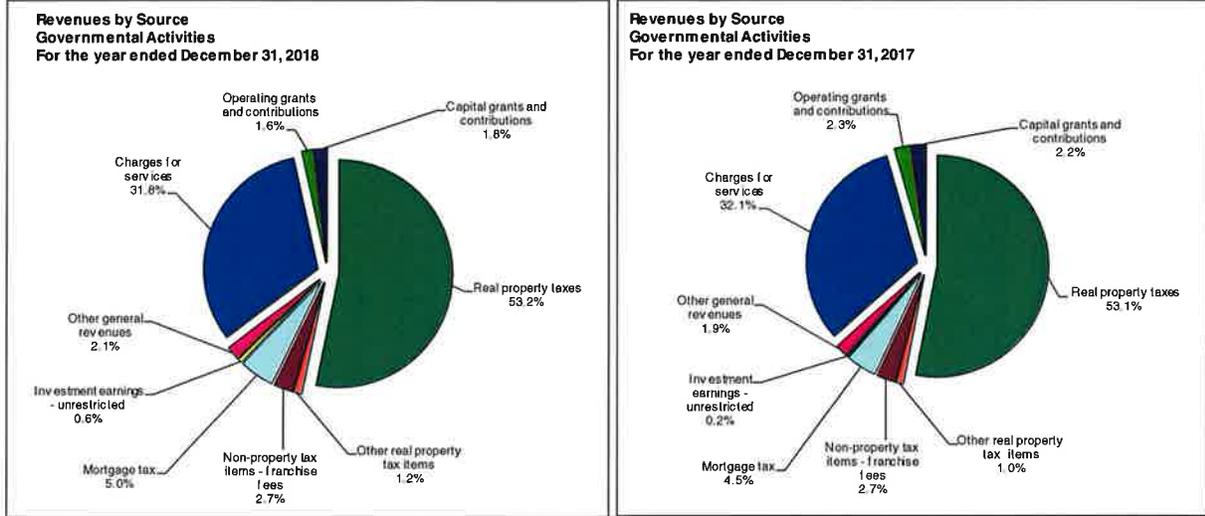
The total cost of all governmental activities this year was \$121,986,847. The net cost of these services after being partially subsidized by program revenues of \$36,804,503 was \$85,182,344.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following graph and chart illustrate the revenues by source for the Town's governmental funds.



Revenue by Source - Governmental Activities
Years ended December 31,

	2018	2017
Real property taxes	\$ 55,497,999	\$ 55,497,999
Other real property tax items	1,251,511	1,094,187
Non-property tax items - franchise fees	2,820,596	2,851,546
Mortgage tax	5,189,221	4,660,798
Investment earnings - unrestricted	589,116	236,825
Other general revenues	2,143,752	1,960,900
Charges for services	33,208,132	33,572,704
Operating grants and contributions	1,674,312	2,407,216
Capital grants and contributions	1,922,059	2,274,496
	<u>\$ 104,296,698</u>	<u>\$ 104,556,671</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

At December 31, 2018, the Town's governmental funds reported total ending fund balances of \$45,776,784, a decrease of \$4,121,835. The following is a breakdown by category:

- **Nonspendable fund balance** - \$3,448,284 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$10,345,053 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$17,239,355 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** – \$14,744,092 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted and assigned fund balance.

The Town began the year with an anticipated \$2,771,592 net decrease resulting from the appropriation of fund balance for the 2018 budget in the governmental funds and concluded the year with a net decrease in fund balance of \$4,121,835.

These items are discussed in greater detail in the individual fund analyses that follow.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the general fund was \$21,623,741, increasing \$1,117,081, or 5.4%, from the prior year. The total fund balance has \$1,173,667 in non-spendable form (prepaids) and \$4,683,305 restricted for capital reserves for land and sewer, park and land deposits and debt service. The remaining \$15,766,769 of the fund balance is in spendable form as follows: \$738,542 has been assigned for subsequent year's budget, \$126,971 has been assigned for purchase orders by the Town Comptroller, \$157,164 of other assignments is related to the Harned Sawmill, and the remaining \$14,744,092 represents spendable, unassigned fund balance.

The major components of the fund balance increase of \$1,117,081 were:

- The general fund had revenues (\$46,383,022) in excess of expenditures (\$44,948,372) of \$1,434,650. There were net financing uses amounting to \$317,569 resulting in an increase to fund balance of \$1,117,081. The general fund began the year with an authorized use of prior fund balance of \$319,122 for debt reserve and \$154,800 for encumbrances. Additional appropriated fund balance during the year was \$770,802, the majority was \$285,000 was appropriated for land purchases and \$323,776 transfers out to the capital projects fund.
- Revenue and other financing sources were greater than the final budget by \$883,087. Contributing factors were as follows:
 - State aid mortgage tax exceeded the final budget by \$481,818 and the original budget by \$589,221 because more homes were sold or refinanced than were anticipated based on 2017 results. \$107,403 of Mortgage Tax revenue was appropriated during the year as noted under general fund budgetary highlights for parks, buildings and grounds expenditures.
 - Interest Earnings were higher than budget by \$194,573 due to higher interest rates.
 - Operating transfers in from capital projects funds were greater than budget by \$74,159.
 - Commercial waste generation fees were greater than budget by \$161,738 because improving market conditions caused the waste generated to exceed expectations.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

General Fund (continued)

- Actual expenditures and other financing uses, were favorable to final budget before year end encumbrances by \$1,478,718. Contributing factors were as follows:
 - Reduction in salaries of \$697,736 across all departments which were due to retirements and unfilled positions.
 - Unused Contingency budget was \$86,451.
 - Home and community services were under budget for resource recovery plant contractual expenses of \$55,021, and special program costs for the Department of Environment and Waterways of \$25,940.
 - Culture and Recreation services costs were under budget due to the Recreation department Special Programs of \$47,835 and \$86,057 for Senior Citizen program supplies, equipment rental, celebrations and bussing costs.
 - Professional Services were less than budget across the fund for \$56,654.
 - Other public safety costs for Central Communication costs for Equipment, Communications and Maintenance and Repairs were under budget by \$100,513.

Highway Fund

At the end of the current year, the total fund balance of the highway fund was \$4,577,565. The 2018 budget appropriated \$600,000 of fund balance along with \$519,967 for encumbrances and \$2,211 for debt reserve and during the year an additional \$1,342,943 of additional fund balance was appropriated. \$1,020,000 was appropriated for construction debris removal and \$14,191 for payroll related expense, \$131,412 for medical and workers' compensation insurance and \$177,340 for transfers to capital projects fund, however only \$418,578 of the total fund balance appropriations of \$2,465,121 was needed resulting in a favorable budget variance of \$2,046,543 before year-end encumbrances. Fund balance is comprised of \$1,485,832 in non-spendable form (inventory and prepaids) and \$339,917 is restricted for debt service. The remaining \$2,751,816 of the fund balance is in spendable form as follows: \$54,734 has been assigned for purchase orders by the Town Comptroller and the remaining \$2,697,082 is assigned for highway purposes.

The decrease in fund balance of \$418,578 was comprised of appropriated surplus uses of \$2,465,122 along with a positive operating variance of \$2,046,543. The significant variances accounting for the \$2,046,543 positive operating variance before year end encumbrances were:

- Other financing sources were greater than budget \$1,609,649 for transfers-in to the road department for unused town funded capital projects and \$56,045 for transfers-in related to debt reserve mostly for the machinery department.
- Unused contingency budget of \$30,832 in the road department.
- Equipment and maintenance costs were less than budget for road department by \$104,303.
- Change in inventory has a positive variance of \$25,976 for the road department and \$79,134 for the snow department.
- Licenses and Permits revenue had a positive variance of \$64,491 and interest earnings had a positive variance of \$82,351 in the road department.

Refuse and Garbage Fund

At the end of the current year, the total fund balance of the refuse and garbage fund was \$2,883,534. The 2018 budget appropriated \$1,589,178 of surplus along with purchase orders of \$1,225. During the year \$1,410,008 of additional fund balance was appropriated, \$1,377,352 was for a legal settlement and \$32,656 for increased medical and increased workers' compensation insurance. After the total appropriation of fund balance of \$3,000,411, the fund had a \$2,132,274 decrease in fund balance resulting in a favorable variance to budget of \$868,137 before year-end encumbrances. The decrease to fund balance of \$2,132,274 was 42.5% from the prior year.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Refuse and Garbage Fund (continued)

Fund balance is comprised of \$143,069 in non-spendable form (prepaids) and \$463,972 is restricted for debt service. The remaining \$2,276,493 of the fund balance is in spendable form as follows: \$982,666 has been assigned by the Town Board for the subsequent year's budget, \$27,786 has been assigned for purchase orders by the Town Comptroller and the remaining \$1,266,041 is assigned for residential refuse and garbage purposes. The main reasons for the \$868,137 favorable variance before year-end encumbrances were:

- Solid waste costs were less than budget for resource recovery of \$89,501 and Special Leaf Program of \$47,941 as well as other disposal costs of \$78,221 for solid waste, electronic waste, construction and demolition and printing.
- Sale of refuse for recycling was greater than budget by \$24,643 as well as increased grant funding for Household Hazardous Waste was greater than budget by \$11,887.
- Part time salaries for code enforcement was less than budget by \$79,368 and employee benefits across the fund was less than budget by \$10,558.
- Other financing sources were greater than budget by \$448,340 for transfers in related to debt reserve.
- Interest and earnings were greater than budget by \$16,928.
- Unused contingency was \$5,556.

Capital Projects Fund

At the end of the current year, the capital projects fund had a total fund balance of \$8,710,953 decreasing \$2,623,176, or 23.1%, from the prior year. Of this amount, \$4,794,444 was restricted as follows: \$3,814,096 for capital projects and \$980,348 for purchase orders. The remaining \$3,916,509 has been assigned as follows: \$3,187,763 for capital purposes and \$728,746 for purchase orders. The main reason for the fund balance decrease was the transfers-out of \$2,274,642 the largest of which was \$1,609,649 transferred to the highway fund for unspent completed projects related to road improvements and transfers of \$605,339 transferred to debt service reserve. A summary of the fund activity is as follows:

- The Town expended \$3,952,100 funded by serial bonds.
- The Town reported \$1,304,141 for capital outlay for leases under a fleet management agreement.
- The Town expended \$5,866,092 on town funded and grant funded projects.
- Serial bond proceeds were \$3,544,380 capital lease proceeds were \$1,304,141 transfers in for Town funded projects were \$5,178,764 and transfers out for completed town funded projects and completed serial bonded projects for debt service payments were \$2,274,642.
- State aid and miscellaneous revenues amounted to \$746,514.

Nonmajor Governmental Funds

The 2018 budget appropriated \$582,414 of fund balance along with \$93,366 for encumbrances and during the year additional appropriations of fund balance of \$316,865 and when combined with a positive budget variance of \$927,757 resulted in a decrease of \$64,888 in fund balance over the eight nonmajor funds.

The main reasons for the decrease in fund balance of \$64,888 including the total fund balance appropriations of \$992,645 and the positive budget variance of \$927,757 were:

- The town outside village fund had an increase of \$584,115. The fund began the year with an authorized use of prior fund balance of \$83,268 for encumbrances. Additional appropriated fund balance during the year was \$2,332. The positive variance of \$669,715 was mostly due to revenues greater than anticipated for building and occupancy permits by \$143,339, site plan filing fees by \$70,632 and \$31,220 for interest and earnings. Expenditures that were less than budget included salaries for \$46,490 and employee benefits of \$7,161 maintenance of traffic signals for \$38,180, traffic department electric for \$23,451 and \$28,457 in maintenance contracts, community forestry expense \$129,801 and unused contingency of \$52,661.
- Special grants had an increase of \$162 in fund balance due to an appropriation for encumbrances of \$3,160 and a positive variance of \$3,322.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Nonmajor Governmental Funds (continued)

- The special revenues fund had a decrease in fund balance of \$367,895. The 2018 budget appropriated \$575,000 of fund balance. The positive budget variance of \$207,105 resulted from interest and earnings greater than budget by \$36,334, liability insurance expense less than budget by \$123,399 and workers compensation costs less than budget by \$35,681.
- The street lighting districts fund had an increase of \$14,976 in fund balance mostly due to a budgeted use of fund balance for increased medical and workers compensation costs of \$7,288 and the authorized use of prior fund balance encumbrances for \$6,938. The positive budget variance of \$29,202 was caused mostly from full time salaries less than budget by \$7,637, electric costs being less than budget by \$8,914 and an unused contingency budget of \$8,408.
- The ambulance districts fund had a decrease in fund balance of \$116,087. The 2018 budget appropriated \$7,414 of fund balance and additional appropriations of \$80,375 were made during the year. The negative budget variance was \$28,298 mostly due to ambulance revenue less than budget \$61,923 along with positive variances in interest and earnings of \$3,231, IDA revenue of \$11,470 and expenses less than budget for contractual services and LOSAP costs of \$18,924.
- The Paul J. Fitzpatrick Country Club had a decrease of \$136,308 in fund balance due to an appropriation of fund balance mostly for transfers out for capital projects of \$105,785 along with a negative variance of \$30,523 that consisted mostly from the rental of the country club less than budget by \$100,000 due to a contract negotiation. Interest and earnings and other financing sources were greater than budget by \$2,482 and \$2,336 respectively. Expenses less than budget in payroll and employee benefits of \$42,643 and maintenance and repairs of \$5,991.
- The water districts fund had a decrease of \$45,066 in fund balance. Total appropriated fund balance during the year was \$8,185 for increased medical and workers compensation expense and \$112,900 for transfers out for capital projects. The positive budget variance of \$76,019 was mostly due to other financing sources greater than budget by \$31,697 and unused contingency of \$64,910.
- The Permanent Fund had an increase of \$1,215 in fund balance.

General Fund Budgetary Highlights

During the year, there was of \$993,685 or 2.2% increase in overall authorized spending between the original and final amended budget, inclusive of transfers. There are no variances that are expected to have a significant effect on future services or liquidity. Please see the "General Fund" section for more details on the comparison of final budget and actual amounts. Over the course of the year, the Town Board revises the budget as needed so that expenditures do not exceed appropriations.

The following are the main components of the increase in appropriations:

- \$35,000 for salaries for park employees funded by Zoos, Botanical Gardens and Aquariums Program (ZBGA) NYS grant.
- \$5,219 for special programs funded from Hoyt Farm Nature program fees.
- \$73,912 for remediation of unsafe structures to be reimbursed to the Town through special assessments.
- \$152,206 was funded by appropriated surplus for medical insurance and related expenses and
- \$285,000 to acquire land funded from appropriated surplus.
- \$107,403 for parks maintenance and buildings and grounds fuel funded from Mortgage Tax Revenue.
- \$323,776 for transfers to capital projects funded from appropriated surplus.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets, net of accumulated depreciation, for its governmental activities as of December 31, 2018 amounts to \$127,012,151. This investment in capital assets includes land, buildings and improvements, infrastructure, vehicles, machinery and equipment, furniture and office equipment and construction in progress.

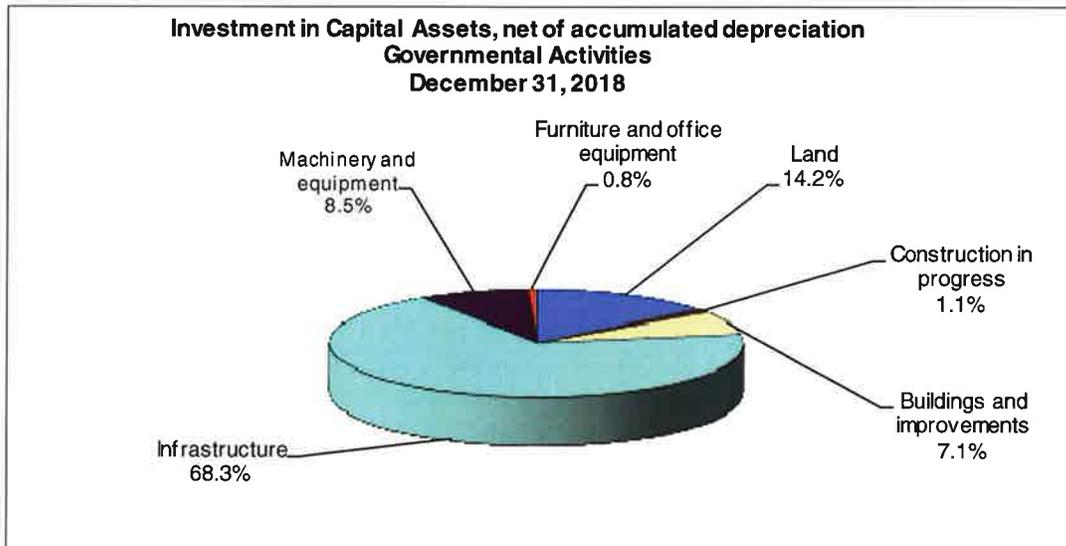
Major capital asset activity during the current year included the following:

- Highway road, drainage, and sidewalk improvements throughout the Town were completed for \$6,399,086.
- Other infrastructure improvements were \$5,961,353, which mainly consisted of lighting upgrades, park improvements and regional fuel facility improvements.
- Construction in progress additions totaled \$1,155,090.
- The Town reported \$1,304,141 in capital lease obligations for new five-year leased vehicles obtained through a fleet management agreement with Enterprise.
- The Town purchased machinery and equipment totaling \$3,766,523.

Capital Assets - Net of Accumulated Depreciation

Governmental Activities:

	2018	2017
Land	\$ 18,101,396	\$ 17,818,588
Construction in progress	1,353,007	3,899,482
Buildings and improvements	9,045,907	9,298,175
Infrastructure	86,694,058	81,831,266
Machinery and equipment	10,859,380	10,439,024
Furniture and office equipment	958,403	898,043
Total capital assets	\$ 127,012,151	\$ 124,184,578



Additional information on the Town's capital assets is shown in Note 3.C to the financial statements.

The Town has a five-year capital plan. The five-year plan allows for continued improvements to infrastructure, buildings and equipment while issuing and managing the Town's debt. The capital plan is revised, updated and re-adopted annually.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

Long-Term Debt

At the end of 2018, the Town had total general obligation bonded debt outstanding of \$22,454,380 in comparison to \$21,426,390 at the end of the prior year. For the year ended December 31, 2018, the Town's debt increased by \$1,027,990. The entire debt is backed by the full faith and credit of the Town.

In November 2016, Moody's Investors Service, Inc. upgraded the Town's credit rating to an "Aaa" and was reaffirmed by Moody's in February 2019.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The current debt limitation for the Town is \$1,309,716,747 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted at December 31, 2018 was 1.71%.

Additional information on the Town's indebtedness is shown in Note 3.D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town has adopted a budget for 2019 that increased revenues and expenditures by \$2,184,892 over the 2018 adopted budget in the general fund. The general fund budget includes a real property tax increase of approximately 3.75% over 2018.

State Aid and Local Assistance

The Town receives financial assistance from New York State and Suffolk County. The 2019 budget includes mortgage tax of \$4,800,000; state aid per capita of \$671,178 and state government assistance of \$2,256,425. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of state aid. The State is not constitutionally obligated to maintain or continue state aid to the Town.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The adopted budget for 2019 did not exceed the tax levy limit.

The Town will be closely monitoring the current economic conditions and making adjustments as necessary.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances. If you have any questions about this report or need any additional information, contact the Town Comptroller at 40 Maple Ave Smithtown, New York 11787 or by telephone 631-360-7530.

BASIC FINANCIAL STATEMENTS

TOWN OF SMITHTOWN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 40,742,307
Cash - restricted	4,895,194
Accounts receivable	3,380,904
Due from other governments	3,258,366
Prepays	2,341,944
Inventory of materials and supplies	803,539
Total current assets	55,422,254
Non-current assets:	
Receivables, service concession arrangements, net of current	1,144,000
Non-depreciable capital assets	19,454,403
Capital assets, net of accumulated depreciation	107,557,748
Total non-current assets	128,156,151
Total assets	183,578,405
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	7,884,796
Postemployment benefits healthcare costs	29,207,743
Total deferred outflows of resources	37,092,539
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	8,152,945
Accrued interest payable	169,720
Unearned revenues	113,383
Other liabilities	4,935
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,405,387
Compensated absences payable	790,650
Capital leases payable	886,600
Claims and judgments payable	478,738
Estimated liability for landfill closure and postclosure care costs	562,175
Pollution remediation obligations	200,000
Total current liabilities	13,764,533
Non-current liabilities due in more than one year:	
General obligation bonds payable, inclusive of premiums	20,461,472
Compensated absences payable	6,776,187
Capital leases payable	2,528,097
Claims and judgments payable	2,984,756
Net pension liability, proportionate share	3,688,188
Estimated liability for landfill closure and postclosure care costs	13,567,075
Postemployment benefits healthcare costs	248,737,246
Total non-current liabilities	298,743,021
Total liabilities	312,507,554
DEFERRED INFLOWS OF RESOURCES	
Deferred service concession arrangement receipts	1,420,000
Pensions	6,420,817
Unearned revenue - property taxes	359,485
Unearned revenue - other miscellaneous items	267,722
Total deferred inflows of resources	8,468,024
NET POSITION	
Net investment in capital assets	105,525,039
Restricted for:	
Culture and recreation	512,917
Debt service	958,216
Capital projects	4,072,352
Home and community services	7,124
Permanent fund:	
Nonexpendable	302,801
Unrestricted (deficit)	(211,683,083)
Total net position	\$ (100,304,634)

See notes to the financial statements.

TOWN OF SMITHTOWN
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2018

Function/ Program	Expenses	Program Revenues			Net Expense and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
General government support	\$ 24,006,745	\$ 321,390	\$ 39,925		\$ (23,645,430)
Public safety	13,557,795	3,415,805	34,950		(10,107,040)
Health	3,812,788	433,624	253,620		(3,125,544)
Transportation	36,437,639	272,544	147,319	\$ 1,803,819	(34,213,957)
Economic assistance and opportunity	110	128,855			128,745
Culture and recreation	15,092,509	3,046,003	929,233		(11,117,273)
Home and community services	28,422,174	25,589,911	269,265	118,240	(2,444,758)
Interest on debt	657,087				(657,087)
Total governmental activities	\$ 121,986,847	\$ 33,208,132	\$ 1,674,312	\$ 1,922,059	\$ (85,182,344)
General revenues:					
					55,497,999
					1,251,511
					2,820,596
					5,189,221
					589,116
					548,888
					671,178
					923,686
				Total general revenues	67,492,195
				Change in net position	(17,690,149)
				Net position - beginning, as originally reported	30,820,885
				Cumulative effect of change in accounting principle (See Note 5)	(113,435,370)
				Net position - beginning, as restated	(82,614,485)
				Net position - ending	\$ (100,304,634)

**TOWN OF SMITHTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018**

MAJOR FUNDS				
	General	Highway	Refuse and Garbage	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 14,196,091	\$ 3,836,536	\$ 4,464,439	\$ 10,736,101
Cash - restricted	4,585,269			
Accounts receivable	1,714,273	157,996	7,552	10,556
Due from other funds	139,142	129,093	2,144	5,620
Due from other governments	2,681,704	75,673	254,817	77,022
Prepays	1,173,667	682,293	143,069	
Inventory		803,539		
Total assets	<u>\$ 24,490,146</u>	<u>\$ 5,685,130</u>	<u>\$ 4,872,021</u>	<u>\$ 10,829,299</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,564,719	\$ 711,078	\$ 1,988,487	\$ 1,882,512
Due to other funds	5,621	37,002		175,009
Unearned revenue	23,408			60,825
Other liabilities	4,935			
Total liabilities	<u>2,598,683</u>	<u>748,080</u>	<u>1,988,487</u>	<u>2,118,346</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes		359,485		
Unearned revenue - other miscellaneous items	267,722			
Total deferred inflows of resources	<u>267,722</u>	<u>359,485</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES				
Nonspendable	1,173,667	1,485,832	143,069	
Restricted	4,683,305	339,917	463,972	4,794,444
Assigned	1,022,677	2,751,816	2,276,493	3,916,509
Unassigned	14,744,092			
Total fund balances	<u>21,623,741</u>	<u>4,577,565</u>	<u>2,883,534</u>	<u>8,710,953</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,490,146</u>	<u>\$ 5,685,130</u>	<u>\$ 4,872,021</u>	<u>\$ 10,829,299</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 7,509,140	\$ 40,742,307
309,925	4,895,194
743,527	2,633,904
15,594	291,593
169,150	3,258,366
342,915	2,341,944
	803,539
<u>\$ 9,090,251</u>	<u>\$ 54,966,847</u>
\$ 1,006,149	\$ 8,152,945
73,961	291,593
29,150	113,383
	4,935
<u>1,109,260</u>	<u>8,562,856</u>
	359,485
	267,722
<u>-0-</u>	<u>627,207</u>
645,716	3,448,284
63,415	10,345,053
7,271,860	17,239,355
	14,744,092
<u>7,980,991</u>	<u>45,776,784</u>
<u>\$ 9,090,251</u>	<u>\$ 54,966,847</u>

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF SMITHTOWN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2018

Total fund balances - governmental funds		\$ 45,776,784
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets less accumulated depreciation are included in the Statement of Net Position:		
Capital assets - non-depreciable	\$ 19,454,403	
Capital assets - depreciable	313,772,593	
Accumulated depreciation	<u>(206,214,845)</u>	127,012,151
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position:		
General obligation bonds	(22,454,380)	
Compensated absences	(7,566,837)	
Capital leases	(3,414,697)	
Claims and judgments	(3,463,494)	
Net pension liability, proportionate share	(3,688,188)	
Estimated liability for landfill closure and postclosure care costs	(14,129,250)	
Postemployment benefits healthcare costs	(248,737,246)	
Pollution remediation obligations	<u>(200,000)</u>	(303,654,092)
Deferred outflows of resources included in the Statement of Net Position:		
Pensions		7,884,796
Postemployment benefits healthcare costs		29,207,743
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Premiums on debt issuance included in the Statement of Net Position		(412,479)
Unbilled water applicable to the Town's governmental activities not due and receivable in the current period, and accordingly, are not reported in the funds. However, these assets are included in the Statement of Net Position.		
		471,000
Deferred inflows of resources related to pensions included in the Statement of Net Position		
		(6,420,817)
Receivables, service concession arrangements are not available to pay for current period expenditures and therefore are not reported in the funds.		
Deferred inflows, service concession arrangements not reported in the funds.	1,420,000	
	<u>(1,420,000)</u>	-0-
Interest payable applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.		
		<u>(169,720)</u>
Net position of governmental activities		<u><u>\$ (100,304,634)</u></u>

TOWN OF SMITHTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2018

	MAJOR FUNDS			
	General	Highway	Refuse and Garbage	Capital Projects
REVENUES				
Real property taxes	\$ 24,366,593	\$ 23,090,235		
Other Real property tax items	701,054	365,621		
Non-property tax items	2,820,596			
Departmental income	9,909,733		\$ 12,775,553	
Intergovernmental charges	541,800	108,303	691,928	
Use of money and property	514,286	128,395	77,457	
Licenses and permits	151,773	114,491		
Fines and forfeitures	230,052		61,667	
Sale of property and compensation for loss	213,469	152,557	223,207	
Miscellaneous local sources	45,858			\$ 238,720
Interfund revenues	1,349	1,558,754	13,999	
State aid	6,556,086	1,483,270	56,887	507,794
Federal aid	330,373			
Total revenues	<u>46,383,022</u>	<u>27,001,626</u>	<u>13,900,698</u>	<u>746,514</u>
EXPENDITURES				
Current:				
General government support	13,336,507			
Public safety	3,355,491			
Health	878,136			
Transportation	1,076,611	15,961,910		
Economic assistance and opportunity	110			
Culture and recreation	7,364,438			
Home and community services	5,176,210		14,584,484	
Employee benefits	11,853,724	7,475,802	1,684,388	
Capital Outlay				11,122,333
Debt Service:				
Principal	1,597,574	905,997	213,406	
Interest	309,571	153,539	46,926	
Total expenditures	<u>44,948,372</u>	<u>24,497,248</u>	<u>16,529,204</u>	<u>11,122,333</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,434,650</u>	<u>2,504,378</u>	<u>(2,628,506)</u>	<u>(10,375,819)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	74,159	1,665,694	498,290	5,178,764
Transfers out	(442,378)	(4,599,502)	(5,021)	(2,274,642)
Debt issuance proceeds				3,544,380
Capital lease proceeds				1,304,141
Premiums on debt issuance	50,650	10,852	2,963	
Total other financing sources (uses)	<u>(317,569)</u>	<u>(2,922,956)</u>	<u>496,232</u>	<u>7,752,643</u>
Net change in fund balances	1,117,081	(418,578)	(2,132,274)	(2,623,176)
Fund balances at beginning of year	<u>20,506,660</u>	<u>4,996,143</u>	<u>5,015,808</u>	<u>11,334,129</u>
Fund balances at end of year	<u>\$ 21,623,741</u>	<u>\$ 4,577,565</u>	<u>\$ 2,883,534</u>	<u>\$ 8,710,953</u>

See notes to the financial statements .

Non-Major Governmental Funds	Total Governmental Funds
\$ 8,041,171	\$ 55,497,999
184,835	1,251,510
	2,820,596
6,023,528	28,708,814
135,695	1,477,726
119,802	839,940
1,920,518	2,186,782
	291,719
185,067	774,300
779,997	1,064,575
7,165	1,581,267
306,676	8,910,713
118,240	448,613
<u>17,822,694</u>	<u>105,854,554</u>
197,185	13,533,692
3,274,467	6,629,958
2,075,709	2,953,845
1,053,506	18,092,027
	110
428,667	7,793,105
5,350,762	25,111,456
4,785,329	25,799,243
	11,122,333
494,936	3,211,913
136,094	646,130
<u>17,796,655</u>	<u>114,893,812</u>
<u>26,039</u>	<u>(9,039,258)</u>
139,899	7,556,806
(235,263)	(7,556,806)
	3,544,380
	1,304,141
4,437	68,902
<u>(90,927)</u>	<u>4,917,423</u>
(64,888)	(4,121,835)
<u>8,045,879</u>	<u>49,898,619</u>
<u>\$ 7,980,991</u>	<u>\$ 45,776,784</u>

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF SMITHTOWN
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
Year ended December 31, 2018

Net change in fund balances - total governmental funds \$ (4,121,835)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:

Capital outlay	\$ 14,316,735	
Depreciation expense	(11,245,428)	
Loss on disposition	<u>(243,734)</u>	
		2,827,573

Net change in deferred outflows of resources related to pensions	
Pensions	(2,241,340)
Postemployment benefits healthcare costs	(35,346,388)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (7,999)

The issuance of long-term debt and increases in obligations provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Debt issued	(3,544,380)	
Repayment of debt principal	2,516,390	
Compensated absences	343,686	
Capital lease proceeds	(1,304,141)	
Repayment of capital lease	695,520	
Claims and judgments	887,065	
Net pension liability - proportionate share	7,056,639	
Estimated liability for landfill closure and postclosure care costs	(107,400)	
Pollution remediation obligations	762,000	
Postemployment benefits healthcare costs	18,578,457	
Accrued interest payable	<u>(10,958)</u>	
		25,872,878

Net change in deferred inflows of resources related to pensions (4,635,549)

Premiums of bond issuances recognized in governmental funds statements when issued and capitalized and amortized in the Statement of Activities. (37,489)

Change in net position of governmental activities \$ (17,690,149)

TOWN OF SMITHTOWN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2018

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 173,458,180
Total assets	\$ 173,458,180
 LIABILITIES	
Due to other governments	\$ 142,820,877
Other agency liabilities	30,637,303
Total liabilities	\$ 173,458,180

See notes to the financial statements.

**TOWN OF SMITHTOWN
INDEX FOR NOTES TO FINANCIAL STATEMENTS**

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	
1. A Reporting Entity.....	36
1. B Government-wide and Fund Financial Statements.....	36-39
1. C Measurement Focus, Basis of Accounting, and Financial Statement Presentation	39-40
1. D Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance	40-44
1. E Revenues and Expenditures.....	44-46
1. F Encumbrances.....	46
1. G Use of Estimates	46
1. H New Accounting Pronouncements.....	46-47
Note 2 – Stewardship, Compliance and Accountability	
2. A Budgetary Information.....	47-48
2. B Fund Equity.....	48
Note 3 – Detailed Notes on All Funds	
3. A Cash and Cash Equivalents.....	49
3. B Interfund Receivables, Payables and Transfers	50
3. C Capital Assets	51
3. D Indebtedness.....	52-54
3. E Retirement System.....	55-60
3. F Postemployment Benefits Healthcare Costs	60-63
3. G Compensated Absences	63
3. H Tax Abatement Programs	64
Note 4 – Commitments and Contingencies	
4. A Risk Retention.....	64-65
4. B Tax Certioraris.....	65
4. C Litigation.....	66
4. D Landfill Closure and Postclosure Care Costs.....	66
4. E Pollution Remediation Obligations.....	66
4. F Construction and other Capital Acquisition Commitments.....	66
4. G Municipal Cooperation Agreements.....	67-68
4. H Resource Recovery Facility	69
4. I Grants	69
4. J Lease Commitments and Leased Assets.....	69
4. K Permanent Fund.....	70
4. L Service Concession Arrangements	70
Note 5 – Effect of Change in Accounting Principle on Current-Period Financial Statements ...	71
Note 6 – Subsequent Events	71
Note 7 – New Pronouncements.....	71-72

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Smithtown (the "Town"), which was established in 1665, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a term of four years and four council members who are elected for terms of four years. The Town Board appoints the Town Assessor, the Town Attorney, the Town Comptroller and the Town Engineer. The Town Clerk, Receiver of Taxes and Superintendent of Highways are elected and serve for four-year terms. The Town provides a full range of municipal services, including public safety, transportation, home and community services, public works and road maintenance, recreation and parks, and general and administrative services.

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

The most significant of the Town's accounting policies are described below.

A. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, which is the Town; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the Town has no component units either blended or discretely presented.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town as a whole, with a separate column for the Town's governmental activities. All fiduciary activities are reported in the fund financial statements.

The effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function, and 3) interest earned on grants or capital projects that is required to be used to support a particular program or project. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses to specific functions in the statement of activities.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Certain funds of the Town are utilized to account for resources derived from and/or expenditures applicable to an area less than the entire town. Accordingly, the Town maintains the following fund types:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major and nonmajor funds.

The Town reports the following major governmental funds:

General Fund – is the principal operating fund of the Town. This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This includes financial resources to be used for the acquisition, construction, renovation, expansion and major improvement of various Town facilities, thoroughfares, arterial streets and drainage improvements, improvements and construction of parks and recreational facilities and acquisition of land and other large nonrecurring projects. It is also used to account for some grants received from Federal, State and/or County sources.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Special Revenue Funds include the following:

Highway Fund – is used to account for revenues and expenditures for highway purposes. This includes all operations relating to the repair and maintenance of roads, bridges, machinery, snow removal and miscellaneous. Expenditures for repairs and improvements are financed by the areas outside the villages in accordance with Highway Law §277. The Town maintains a town-wide and part-town highway fund that are combined for reporting purposes into the highway fund and shown as a major fund.

Refuse and Garbage Funds – is used to account for garbage collection and solid waste disposal in the Town. This includes contracted residential garbage pickup. Commercial carters are contracted with the Town to provide residential collection of solid waste and are responsible for the ultimate disposal of this solid waste. Only residential properties contribute to the operations of the district via user fees on a benefit derived basis.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Additionally, the Town reports the following nonmajor funds:

Special Revenue Funds include the following:

Town Outside Village – is used to account for revenues and expenditures for certain services provided to the areas of the Town located outside of incorporated Villages.

Special Grants Fund – is used to account for the operations of the Community Development Block Grant Program.

Special Revenues Fund – is used to account for risk retention activities including health insurance, unemployment insurance, workers' compensation insurance and liability insurance.

Street Lighting Districts Fund – includes operations relating to the repair and maintenance of street lights located within the boundaries of the Town.

Ambulance Districts Fund – includes amounts provided by the Town for a portion of their operations.

Paul J. Fitzpatrick County Club Fund - is used to account for the golf course and catering facility used by the lessee as well as the public swimming pool operated by the Town's recreation department.

Special District Funds – are used to account for revenues and expenditures for certain services provided to the area of the Town located outside of incorporated villages and includes the following water funds:

Smithtown Water District – includes all operations relating to water within the Town of Smithtown. The district is governed by a Board of Water Commissioners. This district does not encompass the entire Town; it serves portions of Smithtown, Kings Park, Commack and Hauppauge.

St. James Water District – includes all operations relating to water within the Town of Smithtown. The district is governed by a Board of Water Commissioners. This district does not encompass the entire Town; it serves portions of Smithtown and St. James.

Birch Croft Colony Water Supply District – is an agreement between the Suffolk County Water Authority and the Town. All costs of the extensions were financed and levied as an assessment against the real property and improvements within the Birch Croft Colony Water Supply District. The extension is served by the Suffolk County Water Authority.

1987 and 1989 Water Supply Districts – are agreements between the Suffolk County Water Authority and the Town. All costs of the extensions were financed and levied as an assessment against the real property and improvements within the Districts. The extensions are served by the Suffolk County Water Authority.

Permanent Fund include the following:

Nissequoque River Improvement Permanent Fund – is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Nissequoque River improvements.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fiduciary Funds - are used to account for assets held by the Town in a trustee, custodial or agent capacity.

The Town's fiduciary fund (agency fund) is presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Agency Funds – are used to account for resources held as an agent for parties outside the government. Agency resources cannot be held for other funds.

Town Agency Fund – accounts for various agency liabilities.

Town Clerk Agency Fund – accounts for permit and license fees collected on behalf of other governments.

Town Receiver of Taxes Agency Fund – accounts for amounts due to other governments for general and school taxes collected.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue once the grant has been awarded and all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days after the year end. However, certain revenues may be considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to net pension liability, compensated absences, capital leases, due to employees' retirement system, claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations and other postemployment benefits healthcare costs are recorded when payment is due or matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual are mortgage tax, franchise fees, state and federal aid, intergovernmental revenue, sanitation billings, water billings, charges for services and operating transfers. All other governmental fund revenues are recognized when received. Permits, fees and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements are met. In the capital projects fund, long-term debt is recognized as revenue upon receipt of the proceeds.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)

Expenditures are recorded on the accrual basis except that (a) expenditures for prepaid expenses are recognized when services are received; (b) principal and interest on indebtedness are recognized as expenditures when due; (c) compensated absences, which vest or accumulate, are charged as expenditures when paid and (d) judgment and claims and retainage payable are recorded when due and payable.

Unearned revenues are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

The agency funds use the accrual basis of accounting and do not measure the results of operations.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. CASH AND INVESTMENTS

The Town's investments are governed by a formal written investment policy. The Town's investment policy designates the commercial banks in which the Town's monies may be deposited, all of which are Federal Deposit Insurance Company (FDIC) insured commercial banks located within the state.

Cash and cash equivalents consist of funds deposited in demand accounts, both interest bearing and non-interest bearing, petty cash, and when utilized, certificates of deposit with maturities of three months or less. Permissible investments also include special time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Financial institutions can satisfy collateral requirements by furnishing an eligible letter of credit, by pledging eligible securities as specified in Section 10 of New York State General Municipal Law (GML) and the Town's investment policy or participating in a deposit placement program pursuant to Section 9-r of the New York State Banking Law. Eligible securities that may be pledged as collateral include but are not limited to obligations of the United States or its agencies, obligations of New York State and obligations of municipalities of New York State.

2. RESTRICTED CASH

Certain assets of the general fund for park and land deposits, special grants fund, and permanent fund are classified as restricted cash because their use is restricted by law and/or contractual agreement.

3. RECEIVABLES

Receivables primarily include amounts due from federal, state, and other local governments (principally mortgage tax due from Suffolk County), individuals and entities for services provided by the Town, as well as amounts due related to various grant and franchise agreements. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred and eligibility requirements are met.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

4. DUE FROM/TO OTHER FUNDS

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due to/due from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

5. INVENTORY AND PREPAID ITEMS

Inventory in the highway fund consists of tires and fuel for use in Town vehicles, sand and salt, and other various equipment and supplies on hand and is valued at cost, utilizing the first-in, first-out method (FIFO).

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements. Prepaid items in the governmental funds are accounted for under the consumption method. Prepaids generally represent insurance premiums paid for coverage and pension benefits that will benefit the subsequent period.

In governmental funds, amounts reported as inventories and prepaid items are equally offset by nonspendable fund balance amounts, indicating that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. CAPITAL ASSETS

Capital assets are reported in the governmental activities columns in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$5,000 or more and a five-year useful life are capitalized and are reported at cost or estimated historical cost. Donated assets are valued at their acquisition value on the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	25 years
Infrastructure/Improvements:	20 years
Machinery and equipment:	5 years

Infrastructure assets, consisting of certain improvements other than buildings, including but not limited to roads, curbs and gutters, streets and sidewalks, drainage systems, street lighting, and water mains are capitalized along with other capital assets.

In the fund financial statements, capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition. No depreciation has been recorded on governmental capital assets in the fund financial statements, nor has interest on governmental capital assets and construction in progress been capitalized.

7. UNEARNED REVENUES

Unearned revenues represent grant proceeds that do not meet eligibility requirements as well as an overpayment of refuse bills which will be applied to future services provided.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

8. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the balance sheet or the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town reports deferred outflows of resources for pension related amounts and postemployment benefits healthcare costs. The amounts related to pensions consists of differences between the pension plan's expected and actual experience, changes in assumptions, changes in proportion and difference between the Town's contributions and proportionate share of contributions, and contributions made subsequent to the measurement date. The amounts related to postemployment benefits healthcare costs consists of differences between expected and actual experience and changes in assumptions.

In addition to liabilities, the balance sheet or the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows from pension related amounts, service concession arrangements, and unearned revenues. In the governmental funds balance sheet, unearned revenue represents amounts which relate to subsequent year's property tax levy and other miscellaneous items that will be recognized as revenues in the period that the amounts become available. In the Statement of Net Position, the Town reports deferred inflows of resources associated with its pension and the amounts are derived from the differences between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, and the changes in proportion and differences between the Town's contributions and proportionate share of contributions. Additionally, it reports amounts related to service concession arrangements that will be recognized as revenues in future years as it is earned.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences payable, capital leases payable, net pension liability, claims and judgments payable, estimated liability for landfill closure and postclosure care costs, pollution remediation obligations and postemployment benefits healthcare costs are recognized in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Debt issuance costs are expensed as incurred. Premiums related to the issuance of long-term debt are amortized on a straight-line basis over the life of the issue and are presented as part of the general obligation bonds payable in the non-current liabilities.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period, in the fund servicing the debt. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

10. NET POSITION AND FUND EQUITY CLASSIFICATIONS

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

10. NET POSITION AND FUND EQUITY CLASSIFICATIONS (continued)

- 1) Net investment in capital assets—consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted—consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Permanent fund principal amounts are displayed as expendable and/or nonexpendable. Nonexpendable net assets are required to be retained in perpetuity.
- 3) Unrestricted—all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financials statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted 3) committed, 4) assigned, or 5) unassigned.

- 1) Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. prepaid items or inventories), or (b) will not convert to cash within the current period (i.e. long-term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- 2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision-making authority. The Town’s highest decision-making authority is the Town Board, who by adoption of a Town ordinance prior to year-end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.
- 4) Assigned fund balance reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- 5) Unassigned fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

11. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

When outlays for a particular purpose can be funded from both restricted and unrestricted resources it is the Town's default policy to consider restricted net position to have been depleted before unrestricted net position is applied.

When both restricted and unrestricted fund balance resources are available for use, it is the Town's default policy to use restricted resources first, and then unrestricted resources – committed, assigned and unassigned - in order as needed.

12. FUND BALANCE POLICY

The Town has, by resolution, adopted a fund balance policy that states that the Town must maintain a minimum unrestricted (the total of committed, assigned and unassigned) fund balance ranging from 5% to 10% of the subsequent year's budgeted expenditures and outgoing transfers. Unrestricted fund balance below the minimum should be replenished within five years. Authority to assign fund balance for specific purposes is given to the Town Supervisor. The Town Board has the authority to remove or change the assignment of the funds with a simple majority vote.

E. REVENUES AND EXPENDITURES

1. INTERFUND TRANSACTIONS

Interfund transactions, exclusive of interfund services provided and used, have been eliminated from the government-wide financial statements. In the fund statements, interfund transactions include:

a) Interfund Revenues

Interfund revenues and interfund services provided and used represent amounts charged for services or facilities provided by the Town's funds. The amounts paid by the fund receiving the benefits of the service or facilities are reported as an expenditure in that fund.

b) Transfers

Operating transfers are nonexchange transactions whereby the government or fund gives or receives value without directly receiving or giving equal value in return. Transfers represent payments to the capital projects fund for capital projects cost and transfers out for completed projects. Other transfers are made between funds for operating costs.

2. PROGRAM REVENUES

Amounts reported as program revenues includes 1) charges to customers or applicants who purchase, use, directly benefits from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

3. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

All real property assessments are made by the Town. In Suffolk County, the assessment and lien of real property for taxation is done by the County Department of Assessment. The County assessment rolls are used for the levy of real property taxes by the Town and the School Districts, as well as by the County and by Special Districts of the County and Town.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

3. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES (continued)

The Town of Smithtown Receiver of Taxes ("Receiver") collects all real property taxes for the Town, Suffolk County, Town Special Districts and School Districts located within the Town of Smithtown. Taxes are collected by the Town during the period December 1st to May 31st. Taxes for county and school purposes are levied together with taxes for Town and special district purposes as a single bill. The first half is due without penalty by January 10th and the second half is due by May 31st. The Suffolk County Tax Act guarantees that the Town, Special Districts and School Districts will receive the full amount of their levies at the end of the collection period. After May 31st, the County of Suffolk assumes enforcement responsibility for all uncollected taxes.

The Receiver collects all taxes based on this single bill and distributes the proceeds to the Town Supervisor prior to distributing the remaining balance collected to the County. Responsibility for the collection of unpaid taxes remains with the County and, accordingly, the Town is assured of 100% collection of real property taxes. The responsibility of transmitting school taxes to the school districts rests with the Town Supervisor. Property tax bills that are collected prior to January 1st and that relate to the subsequent year are recorded as deferred inflows of resources.

4. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for eligible retired employees and their eligible dependents. Substantially all of the Town's full-time employees may become eligible for these benefits once they reach retirement age provided they have met the Town's service requirement for continuing health benefits into retirement.

Health care benefits in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), are provided through the New York State Health Insurance Program (NYSHIP) (Empire Plan) whose premiums are based on the benefits paid throughout the State during the year.

Postemployment healthcare benefits are also provided by Health Plan of New York (HIP) for eligible retirees and their dependents, who elected coverage in HIP as an alternative to the Empire Plan, provided they meet the same criteria for continued coverage as described above.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Town's collective bargaining agreements require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for these postemployment benefits payable is recorded as a non-current liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation.

5. COMPENSATED ABSENCES

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and non-current obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. Compensated absence liability and expenditures are reported in the governmental funds only if they have matured, for example, as a result of employee resignation, terminations and retirements. The amount that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability in the governmental fund financial statements in the respective fund that will pay it.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

6. NET PENSION LIABILITY – PROPORTIONATE SHARE

For purposes of measuring the net pension liability – proportionate share, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Retirement System (“the System”) have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms and reports investments at fair value.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purpose in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. Appropriations for all governmental funds except the capital projects fund lapse at year-end. However, encumbrances reserved against fund balance are re-appropriated in the ensuing year.

G. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. NEW ACCOUNTING PRONOUNCEMENTS

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2018, the Town adopted:

Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of GASB Statement No. 45 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended*” and Statement No. 74, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*”. The implementation of this Statement resulted in the restatement of net position and changes to footnote disclosure and required supplementary schedules. Note 5.

Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, 68 and 73*”, which outlines the selections of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes. The implementation of this Statement had no impact on the Town’s financial statements.

Statement No. 85, “*Omnibus 2017*”, was issued to address practice issues identified in the implementation and application of certain GASB Statements. It addresses a number of topics including, but not limited to: blending component units, goodwill, fair value measurement and applications, and postemployment benefits such as pension and other postemployment benefits. The implementation of this Statement had no impact on the Town’s financial statements.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRONOUNCEMENTS (continued)

Statement No. 86, "*Certain Debt Extinguishment Issues*", was issued to improve the consistency in accounting and reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. This Statement clarifies that the governments should recognize any difference between the reacquisition price (the amount required to be placed in trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance, regardless if utilizing existing resources or issuing refunding debt. It also clarifies that any prepaid insurance related to the extinguished debt be included in the net carrying amount of debt for purposes of calculating the difference between the reacquisition price and carrying amount of the debt. The implementation of this Statement had no impact on the Town's financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The Town follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before September 20th, each department, officer or district submits to the Budget Officer and/or Comptroller, a detailed estimate of the budget known as "departmental estimates" for the amount of revenue to be received and expenditures to be made for the ensuing year.
- b) On or before September 30th, the Budget Officer files with the Town Clerk and presents to the Town Board a tentative budget for the ensuing year.
- c) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk a preliminary budget.
- d) The Town Board conducts public hearings on the preliminary budget and on or before November 20th the Town Board meets to adopt the budget known as the "annual budget".
- e) Formal budget integration is employed during the year as a management control device for the general fund and certain special revenue funds. The Town board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval. Appropriations for all governmental funds except the capital projects fund lapse at year-end.
- f) Budgets for the general fund and certain special revenue funds are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations are made.
- g) Annual budgets are not prepared for the capital projects fund and permanent fund. Programs in the special grant fund are governed by various grant agreements, which cover periods other than the Town's calendar year adopted budget for their programs. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects, which remain in effect for the life of the project.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities, however there are permitted exceptions and adjustments that can increase the property tax cap percentage. Beginning in 2012, no local government is authorized to increase its property tax levy by more than the calculated property tax cap; however local governments can exceed the property tax cap limit by a 60% vote of the governing body and annually adopting a local law. The Town did not exceed the tax levy limit in 2018.

B. FUND EQUITY

Fund Balance

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Highway Fund	Refuse and Garbage Fund	Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Permanent fund					\$ 302,801	\$ 302,801
Inventory		\$ 803,539				803,539
Prepays	\$ 1,173,667	682,293	\$ 143,069		342,915	2,341,944
Total Nonspendable	<u>1,173,667</u>	<u>1,485,832</u>	<u>143,069</u>	<u>\$ -0-</u>	<u>645,716</u>	<u>3,448,284</u>
Restricted for:						
Debt service	98,036	339,917	463,972		56,291	958,216
Capital projects				3,814,096		3,814,096
Purchases on order and/or contractual obligations				980,348		980,348
Park and land deposits	210,474					210,474
Capital Reserves	4,072,352					4,072,352
Other reserves	302,443				7,124	309,567
Total Restricted	<u>4,683,305</u>	<u>339,917</u>	<u>463,972</u>	<u>4,794,444</u>	<u>63,415</u>	<u>10,345,053</u>
Assigned to:						
Subsequent year's budget	738,542		982,666		205,094	1,926,302
Capital projects				3,187,763		3,187,763
Purchases on order and/or contractual obligations	126,971	54,734	27,786	728,746	202,193	1,140,430
Special revenue funds		2,697,082	1,266,041		6,864,573	10,827,696
Other assignments	157,164					157,164
Total Assigned	<u>1,022,677</u>	<u>2,751,816</u>	<u>2,276,493</u>	<u>3,916,509</u>	<u>7,271,860</u>	<u>17,239,355</u>
Unassigned, reported in						
General fund	14,744,092					14,744,092
Total Unassigned	<u>14,744,092</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>14,744,092</u>
Total Fund Balances	<u>\$ 21,623,741</u>	<u>\$ 4,577,565</u>	<u>\$ 2,883,534</u>	<u>\$ 8,710,953</u>	<u>\$ 7,980,991</u>	<u>\$ 45,776,784</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS

Annually, the Town Board designates the bank depositories and approves an investment policy. The following risk assessments apply to cash and investments of the Town.

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party. The Town had no investments as of December 31, 2018.

The Town's investment policy defines permissible investments, limits the amount of deposits at any time in any one bank or trust company, requires that bank balances in excess of the Federal Deposit Insurance Corporation insurance limits are protected with a custodial agreement which requires that balances are fully collateralized in accordance with New York State General Municipal Law (GML) and limits the form of acceptable collateralization.

Financial institutions can satisfy collateral requirements by furnishing an eligible letter of credit, by pledging eligible securities as specified in Section 10 of GML and the Town's investment policy or participating in a deposit placement program pursuant to section 9-r of the banking law. Eligible securities that may be pledged as collateral includes but is not limited to obligations of the United States or its agencies, obligations of New York State and obligation of municipalities of New York State.

At December 31, 2018, the Town's deposits were \$219,089,981. This amount is inclusive of fiduciary fund deposits of \$173,458,180 and restricted cash of \$4,895,194, but exclusive of petty cash of \$5,700. The bank balance was \$219,508,818. Of the total bank balance, \$7,265,028 was covered by the Federal Depository Insurance Corporation (FDIC), \$72,633,548 was covered by collateral held by the Town's agent, a third party financial institution, in the Town's name, \$133,142,411 was covered by collateral held by the bank, in the Town's name, and \$6,467,831 was covered by an irrevocable letter of credit from a federal home loan bank.

Credit Risk – The Town's written investment guidelines and policies are designed to protect principal by limiting risk. State law and Town law limit investments to those authorized by State statutes.

Interest-Rate Risk – Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

Concentration of Credit Risk – Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of December 31, 2018, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2018, individual fund interfund receivable and payable balances are generally expected to be paid currently. These balances represent various temporary loans, recharges, and/or reimbursements between funds and are stated as follows:

	Interfund Receivable	Interfund Payable
Governmental Activities:		
<u>Major Funds:</u>		
General Fund	\$ 139,142	\$ 5,621
Highway Fund	129,093	37,002
Refuse and Garbage Fund	2,144	
Capital Projects Fund	5,620	175,009
<u>Nonmajor Funds:</u>		
Town Outside Village	9,118	
Special Grants		49,382
Street Lighting Districts	70	
Paul J. Fitzpatrick Country Club	728	19,489
Water Districts	5,678	5,090
Total Governmental Funds	\$ 291,593	\$ 291,593

At December 31, 2018, individual fund interfund transfers balances representing legally authorized transfers, were as follows:

	Transfer In	Transfer Out
Governmental Activities:		
<u>Major Funds:</u>		
General Fund	\$ 74,159	\$ 442,378
Highway Fund	1,665,694	4,599,502
Refuse and Garbage Fund	498,290	5,021
Capital Projects Fund	5,178,764	2,274,642
<u>Nonmajor Funds:</u>		
Town Outside Village	2,467	12,554
Special Revenue Funds	103,399	
Street Lighting Districts		1,598
Paul J. Fitzpatrick Country Club	2,336	105,700
Water Districts	31,697	115,411
Total Governmental Funds	\$ 7,556,806	\$ 7,556,806

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Deletions/ Transfers	Balance 12/31/2018
<u>Governmental Activities:</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 17,818,588	\$ 282,808		\$ 18,101,396
Construction work in progress	3,899,482	1,155,090	\$ 3,701,565	1,353,007
Total capital assets not being depreciated	<u>21,718,070</u>	<u>1,437,898</u>	<u>3,701,565</u>	<u>19,454,403</u>
Depreciable/amortizable capital assets:				
Buildings and improvements	21,579,645	133,301	9,834	21,703,112
Infrastructure	241,162,644	12,360,439	5,122,824	248,400,259
Machinery and equipment	39,306,405	3,766,521	2,481,486	40,591,440
Furniture and office equipment	2,860,282	320,141	102,641	3,077,782
Total depreciable capital assets	<u>304,908,976</u>	<u>16,580,402</u>	<u>7,716,785</u>	<u>313,772,593</u>
Less accumulated depreciation/amortization:				
Buildings and improvements	12,281,470	376,949	1,214	12,657,205
Infrastructure	159,331,378	7,491,865	5,117,042	161,706,201
Machinery and equipment	28,867,381	3,192,705	2,328,026	29,732,060
Furniture and office equipment	1,962,239	183,909	26,769	2,119,379
Total accumulated depreciation	<u>\$ 202,442,468</u>	<u>\$ 11,245,428</u>	<u>\$ 7,473,051</u>	<u>206,214,845</u>
Total net depreciable capital assets				<u>107,557,748</u>
Total net capital assets				<u>\$ 127,012,151</u>

Depreciation expense was charged to the functions of the primary government as follows:

<u>Governmental Activities:</u>	
General government support	\$ 929,311
Public safety	418,490
Health	3,967
Transportation	7,851,573
Culture and recreation	958,494
Home and community services	1,083,593
Total governmental activities depreciation expense	<u>\$ 11,245,428</u>

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2018, the Town has not recorded any such impairment losses.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS

SHORT-TERM DEBT

Bond Anticipation Notes (BANs) – Bond anticipation notes (BANs) are generally used as a temporary means of financing capital expenditures. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter. BANs issued for assessable improvement projects, as found in the water districts, may be renewed for periods equivalent to maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. Liabilities for BANs are generally accounted for in the capital projects fund. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes or by the stipulated annual reductions of principal. At December 31, 2018, there were no outstanding BANs.

LONG-TERM DEBT

General Obligation Bonds - General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Town. General obligation bonds require the Town to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 2.00% to 3.25% and have maturity dates from 2019 through 2033.

A summary of these bonds is as follows:

	Balance 1/1/2018	Issued	Redeemed	Balance 12/31/2018
Governmental activities:				
<u>Capital Projects Fund:</u>				
Major Funds:				
General	\$ 9,570,046	\$ 2,605,505	\$ 1,281,105	\$ 10,894,446
Highway	5,013,542	558,250	682,333	4,889,459
Refuse and Garbage	1,584,810	152,250	122,167	1,614,893
Nonmajor Funds:				
Town Outside Village	857,950	228,375	98,950	987,375
Paul J. Fitzpatrick Country Club	163,275		19,000	144,275
Street Lighting Districts	3,515,204		240,022	3,275,182
Water Districts	721,563		72,813	648,750
Total governmental activities	<u>\$ 21,426,390</u>	<u>\$ 3,544,380</u>	<u>\$ 2,516,390</u>	<u>\$ 22,454,380</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

At December 31, 2018, bonds payable consisted of the following individual issues:

Governmental activities:

Issue	Purpose	Remaining Interest Range	Original Amount	Outstanding Amount
General Obligation Serial Bonds-2010	Public Improvement	2.250%-3.250%	\$ 3,456,000	\$ 2,195,000
General Obligation Serial Bonds-2011	Public Improvement	3.250%	2,275,000	535,000
General Obligation Serial Bonds-2013	Public Improvement	3.000%-3.250%	6,742,200	3,430,000
General Obligation Serial Bonds-2015	Public Improvement	2.000%-2.500%	5,770,710	4,475,000
General Obligation Serial Bonds-2016	Public Improvement	2.000%-2.500%	5,365,000	4,415,000
General Obligation Serial Bonds-2017	Public Improvement	2.000%-2.375%	4,086,390	3,860,000
General Obligation Serial Bonds-2018	Public Improvement	3.000%	3,544,380	3,544,380
			<u>\$ 31,239,680</u>	<u>\$ 22,454,380</u>

Future principal and interest payments to maturity for the Town's governmental activities are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2019	\$ 2,369,380	\$ 606,985	\$ 2,976,365
2020	2,360,000	502,731	2,862,731
2021	2,370,000	445,144	2,815,144
2022	1,900,000	386,131	2,286,131
2023	1,830,000	338,781	2,168,781
2024-2028	8,245,000	1,068,175	9,313,175
2029-2033	3,380,000	178,538	3,558,538
Totals	<u>\$ 22,454,380</u>	<u>\$ 3,526,485</u>	<u>\$ 25,980,865</u>

Capital Leases

In 2015, the Town entered into a master lease-purchase agreement to finance the acquisition of various equipment. The amount financed was \$1,705,000 and is to be repaid over seven years through January 2022 with annual payments totaling \$261,099, including annual interest rate of 1.768%. At December 31, 2018, the principal amount outstanding was \$999,816.

In January 2016, the Town entered into a fleet management master equity lease agreement with Enterprise. Currently, the Town has a fleet of vehicles which were purchased by the Town that have been in service between three and twenty years. The Town's plan is to phase in the leasing of all passenger vehicles and light-duty trucks over the next 5 years and trade-in their current vehicles with an estimated value of approximately \$925,000 while also reducing the fleet to approximately 170 vehicles. This will allow the Town to lease newer vehicles while reducing repair costs. As of December 31, 2018, the Town has 98 vehicles under this lease agreement with monthly lease payments of approximately \$66,000 for a 5-year period with various commencement dates in 2016 through 2018. At December 31, 2018, the principal amount outstanding was \$2,414,881. The interest rates for these vehicles varies based on the interest rate in effect of the time of acquisition.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Capital Leases (continued)

Future principal and interest payments for the Town under these capital leases are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2019	\$ 886,600	\$ 171,859	\$ 1,058,459
2020	890,904	167,555	1,058,459
2021	836,832	151,099	987,931
2022	613,511	97,146	710,657
2023	186,850	50,643	237,493
Totals	\$ 3,414,697	\$ 638,302	\$ 4,052,999

Equipment under these capital leases have been reported in the capital assets at December 31, 2018 as follows:

	Asset Cost	Accumulated depreciation	Net Book Value
Machinery and equipment	\$ 4,875,076	\$ 1,809,074	\$ 3,066,002
Furniture and office equipment	6,504	3,252	3,252
	\$ 4,881,580	\$ 1,812,326	\$ 3,069,254

Changes in Long-term Debt

Long-term liability activities for the year ended December 31, 2018 are as follows:

Governmental activities:

	(As Restated) Balance 1/1/2018	Increases	Reductions	Balance 12/31/2018	Non-current liabilities due within one year	Non-current liabilities
General obligation bonds	\$ 21,426,390	\$ 3,544,380	\$ 2,516,390	\$ 22,454,380	\$ 2,369,380	\$ 20,085,000
Plus deferred amounts:						
Premiums on issuance	374,990	68,902	31,413	412,479	36,007	376,472
Total bonds payable	<u>21,801,380</u>	<u>3,613,282</u>	<u>2,547,803</u>	<u>22,866,859</u>	<u>2,405,387</u>	<u>20,461,472</u>
Compensated absences	7,910,523	517,535	861,221	7,566,837	790,650	6,776,187
Capital leases	2,806,076	1,304,141	695,520	3,414,697	886,600	2,528,097
Claims and judgments	4,350,559	984,460	1,871,525	3,463,494	478,738	2,984,756
Net pension liability, proportionate share	10,744,827	4,612,209	11,668,848	3,688,188		3,688,188
Estimated liability for landfill closure and postclosure care costs	14,021,850	542,720	435,320	14,129,250	562,175	13,567,075
Pollution remediation obligations	962,000	144,000	906,000	200,000	200,000	
Postemployment benefits healthcare costs	267,315,703	17,153,565	35,732,022	248,737,246		248,737,246
	<u>\$ 329,912,918</u>	<u>\$ 28,871,912</u>	<u>\$ 54,718,259</u>	<u>\$ 304,066,571</u>	<u>\$ 5,323,550</u>	<u>\$ 298,743,021</u>

Other long-term liabilities for compensated absences, postemployment benefits healthcare costs, and net pension liability – proportionate share are to be paid by the fund that gave rise to the liability. The estimated liabilities for landfill closure and post-closure are paid for from the general fund, while the pollution remediation is paid for from the highway fund. Claims and judgments are being paid from the risk retention reserve which is funded by the operating account based on historical experience.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM

Plan Description

The Town participates in the New York State and Local Employees' Retirement System ("ERS" or the "System"). This is a cost-sharing multiple-employer defined benefit pension plan. The net position of the System is held in the New York Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in the fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term.

The external advisory committees appointed by the Comptroller meet periodically throughout the year and provide independent, expert assistance in guiding the Fund. These committees include: the Advisory Council for the Retirement System; the Investment Advisory Committee; Real Estate Advisory Committee; the Actuarial Advisory Committee and the Audit Advisory Committee.

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 Town also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. In the Fund statements, GLIP amounts are apportioned to and included in ERS. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

Obligations of employers and employees to contribute and benefits to employees are governed by the RSSL. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of business of the System and for the custody and control of their funds.

Vesting

Members who joined the System prior to January 1, 2010 need five years of service credit to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Benefits Provided

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

Tiers 1 and 2

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

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

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Tiers 1 and 2 (continued)

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

Tiers 3, 4, and 5

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

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

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

Tier 6

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

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

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10% greater than the average of the previous four years.

Disability Retirement Benefits

Disability retirement benefits are available to members unable to perform their job duties because of permanent physical or mental incapacity. There are three types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service, and plan.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria.

This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

Contributions

Generally, Tier 3, 4 and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller shall certify annually the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts. There are no contributions related to an early retirement incentive for Town employees. The credits and miscellaneous adjustments represent modification made by the NYSERS to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

The Town's contractually required contribution for the calendar year ended December 31, 2018 was \$4,791,959.

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

At December 31, 2018, the Town reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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

Below is the Town's proportionate share of the net pension liability of the System and the related employer allocation percentage.

Measurement Date		March 31, 2018
Net Pension Liability	\$	3,688,188
Town's Portion of the System's Total Net Pension Liability		0.1142758%

There was no significant change in the Town's proportionate share from March 31, 2017 to March 31, 2018.

For the year ended December 31, 2018, the Town recognized pension expense of \$4,612,209 in the Statement of Activities. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,315,457	\$ 1,087,044
Changes of assumptions	2,445,573	-0-
Net difference between projected and actual investment earnings on pension plan investments	-0-	5,216,987
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	542,949	116,786
Contribution made subsequent to the measurement date	3,580,817	-0-
Total	\$ 7,884,796	\$ 6,420,817

The reported deferred outflows of resources resulting from the Town's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts will be recognized in pension expense as follows:

Years ending December 31, 2019	\$ 942,909
2020	711,871
2021	(2,595,942)
2022	(1,175,676)
	\$ (2,116,838)

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

Measurement Date	March 31, 2018
Actuarial Valuation Date	April 1, 2017
Inflation	2.5%
Salary increases	3.8%
Investment rate of return (net of investment expenses)	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined 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 the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private equity	10.0%	7.50%
Real estate	10.0%	5.55%
Absolute return strategies	* 2.0%	3.75%
Opportunistic portfolio	3.0%	5.68%
Real assets	3.0%	5.29%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.25%
	<u>100.0%</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

*Excludes equity-oriented long-only global funds of \$2.33 billion. For investment management purposes, these funds are included in domestic equity and international equity.

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the System. 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.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset)	\$27,905,824	\$3,688,188	\$(16,798,964)

Pension Plan Fiduciary Net Pension

The components of the net pension liability of the employers participating in the System as of March 31, 2018, were as follows (dollars in thousands):

Employers' total pension liability	\$ 183,400,590
Plan Net Position	(180,173,145)
Employers' net pension liability	\$ 3,227,445

Ratio of plan net position to the employers' total pension liability	98.24%
---	--------

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued financial statements.

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

Plan Description

The Town, as a single-employer defined benefit, other postemployment benefits (OPEB) plan, per its contract with employees, provides medical and Medicare Part B benefits to its eligible retirees and their spouses. The benefits are provided through fully insured plans that are sponsored by NYSHIP. The Town will pay 85% to 100% of the full premium costs of the cost for individual coverage and 85% to 100% of the cost of their spouse or dependent coverage during the retiree's lifetime. The Town reimburses 100% of the Medicare Part B premium for the retiree and spouse. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Civil Service Employees Association (CSEA) member and exempt employees hired prior to August 28, 2003 require a retirement age of 55, with 10 years of service to receive 100% individual and dependent coverage. Employees hired after August 28, 2003 and before February 28, 2007 require a retirement age of 55, with 15 years of service to receive 100% individual and dependent coverage. Employees hired on or after February 28, 2007 require a retirement age of 55, with 15 years of service to receive 90% individual and dependent coverage. These groups must have 5 years of consecutive full-time service immediately prior to retirement.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Plan Description (continued)

Smithtown Administrators Guild (SAG) member employees hired prior to October 30, 2003 require a retirement age of 55 with 10 years of service to receive 100% individual and dependent coverage. Employees hired between October 30, 2003 and October 24, 2007 require a minimum retirement age of 55, 15 years of service for 100% individual and dependent coverage. Employees hired between October 24, 2007 and March 1, 2013 require a minimum age 55, required service 15 years for 90% individual and dependent coverage. Employees hired on or after March 1, 2013 require a minimum age 55, required service 15 years for 85% individual and dependent coverage. These groups must have 5 years of consecutive full-time service immediately prior to retirement.

Surviving beneficiaries are permitted to stay in the plan provided that they make a contribution of 25% towards the cost of their medical coverage. NYSHIP regulations require the Town to continue payment of the Medicare Part B reimbursement for survivors that remain in the plan.

The Empire Plan has separate pre-Medicare and Medicare rates. Since the plans are community rated, the retiree claim costs are based on the actual rates without adjustment for age.

Benefits are provided as explained in the section entitled "Postemployment Benefits Healthcare Costs" located in the "Summary of Significant Accounting Policies". The retiree and their spouse are also eligible for Medicare Part B reimbursement in the amount of \$1,608 per year for 2018.

These contracts may be renegotiated at various times in the future.

The Town, as administrator of the plan, does not issue a separate report.

Employees Covered by Benefit Terms

The number of participants as of January 1, 2018, the effective date of the OPEB valuation, follows.

Active employees	415
Inactive employees receiving benefits	344
Total	<u>759</u>

There have been no significant changes in the number or the type of coverage since that date.

Total OPEB Liability

The Town's total OPEB liability of \$248,737,246 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018, with updating procedures used to rollforward the OPEB liability to the measurement date.

Funding Policy

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Actuarial Methods and Assumptions (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability in the January 1, 2018 valuation, measured as of December 31, 2018, was determined using the following actuarial assumptions and other inputs:

Salary increases	2.00%
Discount rate	4.1%, based on the Bond Buyer's 20 Bond Index, (at December 31, 2017 the rate was 3.44%)
Healthcare cost trend rates	2.75% - Pre-65 and (9.25%) - Post 65 for 2018, both increasing to 9.50% for 2019 and then decreasing 0.5 percent per year to an ultimate 5.0% in 2028
Cost method	Entry Age Normal Cost
Participation rate	100% of active employees covered under the active plan will enroll in the retiree plan
Mortality	Future mortality improvements were projected using the Society of Actuaries RP-2014 Total Dataset Mortality with Scale MP-2017

Changes in the Total OPEB Liability

The following table shows the components of the Town's other postemployment benefits liability:

Other postemployment liability at the beginning of year, as reported	\$ 89,326,202
Effect on liability of implementing GASB Statement No. 75	<u>177,989,501</u>
Balance as restated at measurement date	267,315,703
Changes for the year:	
Service cost	8,073,512
Interest	9,080,053
Changes in assumptions and other inputs	(29,010,649)
Benefit payments	<u>(6,721,373)</u>
Net changes	<u>(18,578,457)</u>
Other postemployment liability at the end of year	<u>\$ 248,737,246</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town at December 31, 2018, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.10% or 1-percentage-point higher 5.10% than the current rate:

	Discount Rate		
	1% Decrease 3.10%	Current assumption 4.10%	1% Increase 5.10%
Total OPEB Liability \$	261,680,439	\$ 248,737,246	\$ 239,104,318

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town at December 31, 2018, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower 1.75% / (8.25%) or 1-percentage-point higher 3.75% / (10.25%) than the current rate:

	Healthcare Cost Trend Rate		
	1% Decrease 1.75% / (8.25%) decreasing to 4.0%	Current assumption 2.75% / (9.25%) decreasing to 5.0%	1% Increase 3.75% / (10.25%) decreasing to 6.0%
Total OPEB Liability	\$ 208,226,513	\$ 248,737,246	\$ 301,594,423

OPEB Expense and Deferred Outflow of Resources Related to OPEB

For the year ended December 31, 2018, the Town recognized OPEB expense of \$23,489,304. At December 31, 2018, the Town reported deferred outflows of resources related to OPEB as follows:

Actual vs. expected experience	\$ 318,338
Change in assumptions	28,889,405
Total Deferred Outflow of Resources Related to OPEB	\$ 29,207,743

OPEB Expense and Deferred Outflow of Resources Related to OPEB (continued)

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

For Years Ending December 31, 2019	\$ 6,335,736
2020	6,335,736
2021	6,335,736
2022	6,335,736
2023	3,864,799
	\$ 29,207,743

G. COMPENSATED ABSENCES

Town employees are granted vacation, personal leave and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, personal leave and sick leave at various rates subject to certain maximum limitations.

Estimated vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the statement of net position. Payment of vacation, personal leave and sick leave are dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for payments of vacation, personal leave and sick leave when such payments become due. As of December 31, 2018, the value of the accumulated vacation, personal leave and sick leave for governmental activities was \$7,566,837.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. TAX ABATEMENT PROGRAMS

The Town is subject to real property tax abatements granted by the Suffolk County Industrial Development Agency ("SCIDA"), an entity created as a New York State public benefit corporation. The SCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The SCIDA offers several abatement programs on certain qualified projects to promote, retain, attract and encourage sound commerce and industry base to prevent unemployment and promote economic development. At December 31, 2018, only the real property tax abatement program offered by SCIDA impacts the Town's revenues. Generally, a qualified project is an applicant submitted project which meets certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of SCIDA issued bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction which the SCIDA has determined to undertake pursuant to a lease policy. The SCIDA, based on the agreement and as a condition of providing assistance, may require that the benefiting company remit a payment in lieu of taxes (PILOT) payment to offset the amount of taxes abated. The SCIDA is authorized to enter into PILOT agreements per Real Property Tax Law, Section 412-a and General Municipal Law, Section 874. During the year ended December 31, 2018, the agreements the SCIDA ratified resulted in an abatement of \$1,198,312 of the Town's real property taxes and the receipt of \$913,515 in PILOT payments.

4. COMMITMENTS AND CONTINGENCIES

A. RISK RETENTION

In common with other municipalities, the Town receives numerous notices of claims. Although the eventual outcome of these claims cannot be determined, the Town has estimated unsettled claims and litigation to be \$3,463,494. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position. The Town carries liability insurance coverage as follows:

Property

The Town carries insurance for property protection in excess of a \$100,000 deductible. The policy covers forty-nine (49) locations for blanket building and contents of \$35,063,815 excluding windstorm and hail damage. The policy also excludes new "frame" buildings in the course of construction. Physical damage coverage covers up to \$17,698,280.

General and Auto Liability

The Town carries insurance for general and auto liability protection of \$1,000,000 per occurrence and \$2,000,000 in the aggregate in excess of self-insurance retention of \$1,500,000. The Town also carries excess general, auto and public officials' insurance of \$9,000,000 per occurrence.

The Town carries an umbrella policy with \$10,000,000 over and above general liability, auto liability and public officials' coverage. The public officials' coverage is for \$1,000,000 with deductibles of \$250,000 for each wrongful act and \$100,000 for each employment practices violation.

The Town carries a crime policy for various incidences of theft, forgery and counterfeiting with deductibles up to \$10,000 and coverage up to \$2,000,000 per occurrence.

Other

The Town carries boiler and machinery coverage with a \$100,000 deductible and a damage limit of \$25,000,000.

The Town has equipment and electronic data processing coverage (EDP). Equipment has a \$25,000 deductible. There is total limit of \$3,009,856 for scheduled and unscheduled equipment with a maximum of \$750,000 for any one item. EDP hardware and software have coverage of \$750,000 and \$100,000, respectively, with a \$5,000 deductible. In addition, the Town carries coverage for contractor's equipment up to a limit of \$3,000,000, with a maximum of \$750,000 for any one item subject to a \$25,000 deductible.

The Town has pollution and storage tank insurance, that covers the Long Beach Marina in Smithtown, with a \$10,000 deductible and \$1,000,000 for each pollution incident and in the aggregate.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK RETENTION (continued)

Workers' Compensation, General Liability and Unemployment Self- Insurance

The Town estimates its workers' compensation and general liability reserves by consulting with legal counsel, contracted third party administrators and assessing past experience with similar claims. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town is self-insured for workers' compensation claims insurance prior to June 1, 2006. Subsequent to that date, the Town became a member of the New York State Municipal Workers' Compensation Alliance Plan, which insures for workers compensation and employee liability payments. Estimated benefits to be paid are appropriated in the various operating funds of the Town that have payroll. The Town is also self-insured for unemployment benefits paid from the funds that have payroll.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years. The Town does have the ability to bond any tort claims which may be resolved against the Town and which are not covered by the catastrophic loss coverage.

The schedule below presents the changes in claim liabilities for the past two years for general liability and workers' compensation.

	General Liability		Workers' Compensation	
	2018	2017	2018	2017
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 4,052,667	\$ 3,742,667	\$ 297,892	\$ 366,872
Incurred claims and claim adjustment expenditures:				
Provision for the insured events of the current year and increases in provision for insured events of prior years	824,000	925,000	-0-	-0-
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	1,659,056	615,000	52,009	68,980
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 3,217,611</u>	<u>\$ 4,052,667</u>	<u>\$ 245,883</u>	<u>\$ 297,892</u>

B. TAX CERTIORARIS

At December 31, 2018, there were numerous taxpayers' claims pending for the redetermination of assessed valuations (certiorari proceedings) for assessment through 2018. These claims are the result of petitioners' complaints that their assessed property valuations are improper in that they represent overvaluations and unequal treatment. Under the Suffolk County Tax Act, any court ordered reductions to petitioners' assessments which result in a refund of prior years' taxes are paid by Suffolk County in subsequent years, through an adjustment of Suffolk County's tax rate for Town residents in these subsequent years. Reductions in petitioners' assessments will reduce the available property base upon which future tax levies are made.

In the opinion of the Town Attorney, amounts payable, if any, resulting from the settlement of the contingencies described above, will not materially affect the Town's financial position.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LITIGATION

Consistent with other municipalities, the Town has been named a defendant in various legal actions in the course of ordinary operations. The Town has accrued for all estimated and probable contingent losses. The Town primarily funds settlements of legal actions through current operating funds; however, the Town has the ability to fund settlements through bonding if deemed necessary. An estimate cannot be made on certain legal actions that may have possible unfavorable outcome against the Town. In the opinion of the Town Attorney, the potential loss on all claims will not materially affect the Town's financial position.

D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal Laws and Regulations require the Town to place a final cover on its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at those sites for thirty years after closure. Cells 1-5 landfill sites stopped accepting waste as of November 10, 1990, and Cell 6 stopped accepting waste as of December 31, 1997. In September 2010 the capping of Cell 6 was completed and accepted by the New York State Department of Environmental Conservation certification.

As the liability is based on 100% capacity, there are no estimated costs for closure and postclosure remaining to be recognized. The Town reports a portion of these closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. Postclosure care costs and monitoring activities for Cells 1-5 and Cell 6 were estimated to be approximately \$534,000 per year for 2018. Actual costs for Cells 1-5 and Cell 6 were \$107,398 and \$327,922, respectively, for the year ended December 31, 2018. The remaining postclosure costs for Cells 1-5 and Cell 6 approximates \$2,394,000 and \$11,735,250, respectively.

Accordingly, as of December 31, 2018, the Town has recorded an estimated liability of \$14,129,250, in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded postclosure care costs and monitoring activities. Actual costs for postclosure monitoring and maintenance are recorded in the general fund and may be higher or lower due to inflation, changes in technology, or changes in regulations, applicable laws or conditions on the ground.

E. POLLUTION REMEDIATION OBLIGATIONS

The Town received a notice from the NYS DEC that a penalty amounting to approximately \$450,000 would be assessed to the Town unless the Town undertook remediation of the Montclair Avenue Yard. An engineer was engaged by the Town to estimate the amount of material that needed to be removed and transported to an appropriate landfill. It was estimated that there was 37,000 tons of material to be excavated. Under an inter-municipal agreement with the Town of Brookhaven, the material consisting primarily of construction debris would be transported to the Brookhaven landfill and charged \$26.00 per ton for disposal. Accordingly, as of December 31, 2017, the Town recorded an estimated liability of \$962,000, in the government-wide financial statements. During the year ended December 31, 2018, \$906,000 was expended on transporting this material to the Brookhaven Landfill. The Town estimates that another \$200,000 will need to be expended in 2019 to complete the remediation of the Montclair Avenue Yard. As such, an estimated liability of \$200,000 has been recorded in the government-wide financial statements at December 31, 2018.

F. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress, commitments for equipment purchases, and other capital acquisition commitments amount to \$1,709,094 at December 31, 2018.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

G. MUNICIPAL COOPERATION AGREEMENTS

In December 1989, The Town entered into a Municipal Cooperation Agreement with the Town of Huntington in order to address the solid waste disposal concerns of both Towns. The agreement provided for the use of the Town of Smithtown landfill by the Town of Huntington during the construction of a Waste to Energy (Resource Recovery) Facility in the Town of Huntington which would be shared by both Towns. The agreement calls for the Town of Huntington to pay certain continuing costs for the Town of Smithtown landfill based upon the relative percentages of waste contributed by each Town when filling the landfill. The Town of Huntington pays 52.44% of these continuing landfill costs while the Town of Smithtown is responsible for 47.56%. The agreement further provides that the two towns pay for the ongoing costs of the successor Waste to Energy (Resource Recovery) Facility based upon the relative populations of the two towns that send waste to the facility. This population percentage is calculated on a five-year rolling average based upon US Bureau of Census data. The Town of Smithtown pays 37.4% of the Waste to Energy (Resource Recovery) Facility expense while the Town of Huntington is responsible for 62.6%.

In addition, the Town is party to a number of Intermunicipal Agreements as follows:

- Village of the Branch for repair and maintenance of Village streets and the installation of traffic signs and the application of pavement markings on Village streets.
- Village of Head of the Harbor for the repair and maintenance of Village streets and the installation of traffic signs and the application of pavement markings on Village streets.
- Incorporated Village of Nissequogue for snow and ice removal and for the repair and maintenance of Village streets, the installation of traffic signs and the application of pavement markings on Village streets, the use of the Town Fire Marshals and/or other qualified personnel to make inspections and enforce violations, the use of the Town's emergency vehicle traffic single preemption equipment, and the use of the Edward Mankuski Fire Training Center.
- Agreements with the Villages of the Branch, Nissequogue and Head of the Harbor for shared use of a vacuum truck starting in 2018 and expiring in 3 years (with possible extensions for 3 one-year terms for Nissequogue and Head of the Harbor).
- Annual agreement with the Smithtown Fire District for paving of its North Parking Lot.
- Agreements with the Villages of the Branch, Head of the Harbor and Nissequogue for the Town to provide solid waste disposal services to all non-residential parcels effective March 1, 2018 to continue for a term of 20 years.
- Agreements with the Villages of Head of the Harbor, Nesconset and Branch and the St. James and Nesconset Fire Districts for shared record management services to be provided by the Town starting in 2018 and is expiring in 3 years with a 3-year extension.
- Town of Brookhaven with the Town of Huntington for disposal of all the Huntington Resource Recovery Facility acceptable ash residue at the Brookhaven landfill. This agreement expires December 31, 2019.
- An agreement with the Town of Brookhaven to accept demolition debris and street sweepings, at the Brookhaven Landfill due to expire December 31, 2018 was renewed for one year. Also, an agreement was entered into for the Town of Brookhaven to accept roadway construction and demolition debris potentially mixed with street sweepings at the Brookhaven Landfill starting May 1, 2018 and is expiring April 30, 2021.
- State of New York for snow and ice removal on certain State roads located within the Town.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

G. MUNICIPAL COOPERATION AGREEMENTS (continued)

- Kings Park Central School District to utilize the Town's non-residential Solid Waste Disposal Capacity Generation Fee System and for the Town Highway Department to perform maintenance work, snow removal and supply materials to School facilities.
- Town of Brookhaven to accept recyclable materials at the Brookhaven Landfill under the Single Stream Recycling Program was terminated November 2018 and was replaced with an agreement with the Towns of Brookhaven and Southold and the Villages of Asharoken and Lloyd Harbor for them to deliver recyclable materials to the Smithtown Municipal Services Facility (MSF). This agreement expires on September 30, 2019 with extensions available until November 30, 2019.
- Incorporated Village of Lloyd Harbor to deliver e-waste to the Town, this agreement expires on December 31, 2019 with two possible one year extensions.
- Commack Fire District, Hauppauge Fire District, Kings Park Fire District, Nesconset Fire District, Nissequogue Fire District, St. James Fire District, and Smithtown Fire District for the use of the Edward Mankuski Fire Training Center.
- County of Suffolk to make certain capital improvements to Harned Road to strengthen and improve County roads, including drainage improvements, curb and sidewalk installation and resurfacing and for the Town to be responsible for the related repairs and maintenance of certain portions of Harned Road. This agreement expires in 2026.
- Smithtown Central School District to have the Town Highway Department perform maintenance work, snow removal and supply materials at School facilities.
- Kings Park Fire District, Nesconset Fire District, Smithtown Fire District, St. James Fire District, Central Islip/Hauppauge Ambulance, Inc. and Commack Volunteer Ambulance Corps for the use of the Town's emergency vehicle traffic signal preemption equipment.
- Annual agreements with Nesconset and St. James Fire Districts providing dispatch services by the Town.
- Five-year agreements beginning at various times in 2017 with the following entities to utilize fuel pumps at Town-Owned filling stations for their authorized vehicles and equipment as follows: Villages: Head of the Harbor, Nissequogue, the Branch, Central School Districts: Kings Park and Smithtown, Fire Departments: Nesconset and St. James and the Smithtown Library.
- The Town of Huntington jointly established a length of service award program defined benefit (LOSAP) plan for the active ambulance workers of the Commack Volunteer Ambulance Corps. The program took effect on January 1, 2002. The Town of Huntington is a one hundred percent sponsor of the plan. The Town remits an annual payment, to the Town of Huntington, for the reimbursement of 64.3% of the actuarially determined LOSAP program and administrative costs.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

H. RESOURCE RECOVERY FACILITY

In 1989, the Town entered into an agreement with the Town of Huntington to construct a resource recovery facility. The facility was financed with \$176,550,000 of bonds issued by the Environmental Facilities Corporation. These bonds were refunded on July 29, 1999 by the issuance of \$136,045,000 of Suffolk County Industrial Development Agency bonds. There is no longer any debt to be paid on the resource recovery facility. Total resource recovery facility charges were \$6,627,695 for 2018, which includes operating expenditures net of electricity revenues generated by the facility and marketed excess capacity fees. The expenditures of \$3,323,126 and \$3,304,569 were reported in the general and the refuse and garbage funds, respectively.

I. GRANTS

The Town has received grants and contributions in excess of \$3,596,000 during the year ended December 31, 2018, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State Government. Based on past experience, the Town administration believes disallowances, if any, will be immaterial.

J. LEASE COMMITMENTS AND LEASED ASSETS

The Town leases various buildings and land to various parties under operating lease agreements with terms ranging from one year to fifteen years. The leases generally require the lessees to pay repairs and maintenance and utilities. Future minimum rental income under existing operating leases at December 31, 2018 are as follows:

Years Ending December 31, 2019	\$	514,820
2020		438,285
2021		424,494
2022		351,546
2023		194,697
2024-2028		184,000
Totals	\$	<u>2,107,842</u>

The Town leases office equipment under non-cancelable leases that commenced between April 2016 and December 2018 and expire between June 2019 and May 2022. Total rental expenditures on such leases for the year ended December 31, 2018 totaled \$60,139. The minimum future non-cancelable operating lease payments are as follows:

Years Ending December 31, 2019	\$	59,840
2020		47,257
2021		16,486
2022		3,868
Totals	\$	<u>127,451</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

K. PERMANENT FUND

The Town established the Nissequogue River Improvement Trust Fund (NRITF) upon acceptance of a donation from PMV Smithtown Associates in the amount of \$125,000 and the adoption of a Town Board Resolution (TBR) on August 26, 1997. This was a private donation for the express purpose of assisting in the protection and improvement of the Nissequogue River. The guidelines provided that the original amount is invested in secured or guaranteed instruments as per the Town's investment policy and all interest and income derived to be either reinvested as additional unexpendable principal or used for defined purposes. There was a second donation of \$66,000 from P. J. Venture accepted by TBR on July 10, 2001. There have also been a number of small donations and income from the sale of recyclable inkjet cartridges deposited in the NRITF. The funds are invested as unexpendable principal and income from those investments can either be invested as additional principal or used for defined purposes. The purpose, as defined in the NRITF administrative guidelines, for which the income can be used include but are not limited to fish stock enhancement, wildlife habitat improvement, public assess improvements, drainage and erosion control projects designed to improve river water quality, and the acquisition of interest up to and including fee simple interest in lands necessary for the maintenance or improvement of environmental quality of the Nissequogue River. Expenditure of funds can only occur upon the joint approval of the Environmental Protection Director and the Conservation board of the Town. It is understood and acceptable for the income from the NRITF to be accumulated over a number of years to allow for the funding of projects larger than would otherwise be possible. Upon the absence of direction to the contrary, the Comptroller is required to automatically reinvest income as unexpendable principal. There have been no authorized expenditures from the NRITF. The amount of total fund balance recorded as nonspendable and total net position restricted as nonexpendable at December 31, 2018 amounted to \$302,801 including \$1,215 in 2018 interest earnings.

L. SERVICE CONCESSION ARRANGEMENTS

In 2002, the Town entered into an agreement with Lessing's Inc. for the exclusive right to operate, manage and assume responsibility for all restaurants, banquet catering, snack bars, cafeterias, liquor bars, refreshment stand, candy stand, vending machines and other such food facilities at the Smithtown Landing Country Club for the next ten years and with provision for a five-year extension. In 2017, the Town extended the agreement for a second term of five years, ending on December 31, 2022. Lessing's Inc. will pay the Town an annual license fee with an annual increase of \$2,000 each year. The value of these payments is estimated to be \$568,000 for the remaining period ending December 31, 2022, without further extension. The Town reports the Smithtown Landing Country Club as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2018, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$568,000, of which \$139,000 will be received in 2019.

In 1994, the Town entered into an agreement with Michael Hebron for the professional management and operation of the Town of Smithtown Golf Course. This contract was extended in 2000 for a fifteen (15) year period ending December 31, 2014 and further extended in 2008 to cover years 2015 through 2019. There was an additional amendment on December 13, 2011 regarding capital improvement funding and fee payments. There was also an additional amendment in March 2015 which decreased the annual payments to \$200,000 for the years 2013 through 2019 and removed the capital improvement funding. In 2018, another amendment was issued that extends the agreement through 2024. In addition to the management and operation of the golf course, the agreement covers operation and maintenance of the Pro Shop, providing professional golf lessons and maintaining gas powered and hand carts. Michael Hebron will pay the Town an annual license fee with an annual increase of \$2,000 each year. The value of these payments is estimated to be \$852,000 for the remaining period ending December 31, 2024, without further extension. The Town reports the Smithtown Golf Course Club as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2018, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$852,000, of which \$137,000 will be received in 2018.

At December 31, 2018, the value of the two Service Concession Arrangements combined is \$1,420,000 of which \$276,000 is current.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

5. EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE ON CURRENT-PERIOD FINANCIAL STATEMENTS

For year ended December 31, 2018, the Town implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*". The implementation of the Statement resulted in the retroactive reporting of the total OPEB liabilities and the reporting of the current year OPEB expenses, in the Town's government wide statements. As of January 1, 2018, the Town's net position of \$30,820,885 was restated to a net deficit of \$82,614,485, a change of \$177,989,501 and \$64,554,131 for the increase in the total OPEB liability and the related deferred outflow of resources, respectively.

6. SUBSEQUENT EVENTS

Debt Issuance

In March 2019, the Town issued \$9,192,260 of 2019 public improvement serial bonds for various capital projects. The bonds mature in February 2039 and bear an interest rate of 3.00%.

Capital Leases

In April 2019, the Town entered into a lease-purchase agreement valued at \$246,248 for equipment. The lease agreement calls for annual payments of approximately \$55,000 and bears interest at 3.64%.

In 2019, through the date of this report, the Town entered into 21 additional vehicle lease agreements. The additional monthly lease payment for these vehicles is approximately \$11,543 with a total five-year commitment maturing in 2024 of \$678,010. The interest rates based on the interest rate in effect of the time of acquisition.

7. NEW PRONOUNCEMENTS

The following statements have been issued by the Governmental Accounting Standards Board (GASB) and are to be implemented in future years:

Statement No. 83, "*Certain Asset Retirement Obligations*," the objective of which is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. It also addresses that measurement of both the asset retirement obligation and deferred outflows of resources should be based on the estimate of the current value of expected outlays. The requirements of the new Statement become effective for the Town for the year ended December 31, 2019.

Statement No. 84, "*Fiduciary Activities*," establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of the new Statement become effective for the Town for the year ended December 31, 2019.

Statement No. 87, "*Leases*," the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for the year ending December 31, 2020.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS

7. NEW PRONOUNCEMENTS (continued)

Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*," the objective of which is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement 1) defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established, 2) requires that additional information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses, and 3) requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for financial statements for the year ending December 31, 2019.

Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*," the objectives of which are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. 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. The requirements of this Statement are effective for financial statements for the year ending December 31, 2020.

Statement No. 90, "*Majority Equity Interests - an Amendment of GASB Statements No. 14 and 61*" provides guidance regarding the accounting and financial reporting of a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for financial statements for the year ending December 31, 2019.

Statement No. 91, "*Conduit Debt Obligations*," the objective of which is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issues, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for financial statements for the year ending December 31, 2021.

The Town is currently evaluating the impact, if any, of the above pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS**

Schedules of Revenues, Expenditures, and
Change in Fund Balance – Budget and Actual
Major Governmental Funds and Schedules
Schedule of Changes in the Total Other Postemployment Liability and
Related Ratio (OPEB)
Schedule of Pension Contributions – Employee Retirement System
Schedule of Proportionate Share of the Net Pension
Liability – Employee Retirement System

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations can be made. The capital projects fund is budgeted on a project or grant basis.

The Town adopts the budget and establishes legal level of control of the budget at the object level expenditures. The object level identifies expenditures by the article purchased or service obtained to carry out a function.

TOWN OF SMITHTOWN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Encumbrances	Variance with
	Original	Final			Final Budget
REVENUES					
Real property taxes	\$ 24,366,593	\$ 24,366,593	\$ 24,366,593		\$ -0-
Other real property tax items	449,157	523,069	701,054		177,985
Non-property tax items	2,908,888	2,908,888	2,820,596		(88,292)
Departmental income	10,027,900	10,033,119	9,909,733		(123,386)
Intergovernmental charges	557,200	557,200	541,800		(15,400)
Use of money and property	285,134	285,134	514,286		229,152
Licenses and permits	134,560	134,560	151,773		17,213
Fines and forfeitures	185,100	185,100	230,052		44,952
Sale of property and compensation for loss	91,500	91,500	213,469		121,969
Miscellaneous local sources	14,300	14,300	45,858		31,558
Interfund revenues		1,349	1,349		-0-
State aid	5,867,832	6,010,235	6,556,086		545,851
Federal aid	513,697	513,697	330,373		(183,324)
Total revenues	<u>45,401,861</u>	<u>45,624,744</u>	<u>46,383,022</u>		<u>758,278</u>
EXPENDITURES					
Current:					
General government support	13,742,269	13,563,697	13,336,507	\$ 27,652	199,538
Public safety	3,830,640	3,848,198	3,355,491	87,110	405,597
Health	1,015,759	1,010,418	878,136		132,282
Transportation	1,137,195	1,119,086	1,076,611	1,901	40,574
Economic assistance and opportunity	2,500	2,500	110		2,390
Culture and recreation	7,443,796	7,724,747	7,364,438	10,308	350,001
Home and community services	5,462,869	5,397,575	5,176,210		221,365
Employee benefits	11,719,785	11,853,724	11,853,724		-0-
Debt service:					
Principal	1,282,120	1,597,574	1,597,574		-0-
Interest	238,850	309,571	309,571		-0-
Total expenditures	<u>45,875,783</u>	<u>46,427,090</u>	<u>44,948,372</u>	<u>126,971</u>	<u>1,351,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(473,922)</u>	<u>(802,346)</u>	<u>1,434,650</u>	<u>(126,971)</u>	<u>2,110,025</u>
OTHER FINANCING SOURCES (USES)					
Transfers in			74,159		74,159
Transfers out		(442,378)	(442,378)		-0-
Premiums of debt issuance			50,650		50,650
Total other financing sources (uses)	<u>-0-</u>	<u>(442,378)</u>	<u>(317,569)</u>	<u>-0-</u>	<u>124,809</u>
Net change in fund balance	<u>\$ (473,922)</u>	<u>\$ (1,244,724)</u>	<u>1,117,081</u>	<u>\$ (126,971)</u>	<u>\$ 2,234,834</u>
Fund balance at beginning of year			<u>20,506,660</u>		
Fund balance at end of year			<u>\$ 21,623,741</u>		

TOWN OF SMITHTOWN
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget
	Original	Final			
REVENUES					
Real property taxes	\$ 23,090,235	\$ 23,090,235	\$ 23,090,235		\$ -0-
Other real property tax items	367,043	384,878	365,621		(19,257)
Intergovernmental charges		22,878	108,303		85,425
Use of money and property	18,800	45,757	128,395		82,638
Licenses and permits	50,000	50,000	114,491		64,491
Sale of property and compensation for loss	107,150	184,727	152,557		(32,170)
Interfund revenues	1,500,000	1,633,032	1,558,754		(74,278)
State aid	1,157,000	1,483,270	1,483,270		-0-
Total revenues	<u>26,290,228</u>	<u>26,894,777</u>	<u>27,001,626</u>		<u>106,849</u>
EXPENDITURES					
Current:					
Transportation	14,793,005	16,250,818	15,961,910	\$ 54,734	234,174
Employee benefits	7,262,289	7,488,787	7,475,802		12,985
Debt service:					
Principal	826,826	905,997	905,997		-0-
Interest	135,286	153,545	153,539		6
Total expenditures	<u>23,017,406</u>	<u>24,799,147</u>	<u>24,497,248</u>	<u>54,734</u>	<u>247,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,272,822</u>	<u>2,095,630</u>	<u>2,504,378</u>	<u>(54,734)</u>	<u>354,014</u>
OTHER FINANCING SOURCES (USES)					
Transfers in			1,665,694		1,665,694
Transfers out	(4,395,000)	(4,599,502)	(4,599,502)		-0-
Premiums of debt issuance		38,751	10,852		(27,899)
Total other financing sources (uses)	<u>(4,395,000)</u>	<u>(4,560,751)</u>	<u>(2,922,956)</u>	<u>-0-</u>	<u>1,637,795</u>
Net change in fund balance	<u>\$ (1,122,178)</u>	<u>\$ (2,465,121)</u>	<u>(418,578)</u>	<u>\$ (54,734)</u>	<u>\$ 1,991,809</u>
Fund balance at beginning of year			4,996,143		
Fund balance at end of year			<u>\$ 4,577,565</u>		

TOWN OF SMITHTOWN
REFUSE AND GARBAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget
	Original	Final			
REVENUES					
Departmental income	\$ 12,775,000	\$ 12,775,000	\$ 12,775,553		\$ 553
Intergovernmental charges	480,000	801,900	691,928		(109,972)
Use of money and property	20,000	60,529	77,457		16,928
Fines and forfeitures		58,333	61,667		3,334
Sale of property and compensation for loss	180,000	198,564	223,207		24,643
Interfund revenues		13,999	13,999		-0-
State aid	45,000	45,000	56,887		11,887
Total revenues	<u>13,500,000</u>	<u>13,953,325</u>	<u>13,900,698</u>		<u>(52,627)</u>
EXPENDITURES					
Current:					
Home and community services	13,187,331	15,040,200	14,584,484	\$ 27,786	427,930
Employee benefits	1,639,553	1,694,946	1,684,388		10,558
Debt service:					
Principal	215,854	215,854	213,406		2,448
Interest	47,665	47,665	46,926		739
Total expenditures	<u>15,090,403</u>	<u>16,998,665</u>	<u>16,529,204</u>	<u>27,786</u>	<u>441,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,590,403)</u>	<u>(3,045,340)</u>	<u>(2,628,506)</u>	<u>(27,786)</u>	<u>389,048</u>
OTHER FINANCING SOURCES					
Transfers in		49,950	498,290		448,340
Transfers out		(5,021)	(5,021)		-0-
Premiums of debt issuance			2,963		2,963
Total other financing sources	<u>-0-</u>	<u>44,929</u>	<u>496,232</u>	<u>-0-</u>	<u>451,303</u>
Net change in fund balance	<u>\$ (1,590,403)</u>	<u>\$ (3,000,411)</u>	<u>(2,132,274)</u>	<u>\$ (27,786)</u>	<u>\$ 840,351</u>
Fund balance at beginning of year			5,015,808		
Fund balance at end of year			<u>\$ 2,883,534</u>		

TOWN OF SMITHTOWN
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT LIABILITY AND RELATED RATIO
(OPEB)
December 31, 2018

	2018
Total OPEB liability:	
Service costs	\$ 8,073,512
Interest	9,080,053
Difference between expected and actual experience	-
Changes in benefit terms	-
Changes of assumptions and other inputs	(29,010,649)
Benefit payments	(6,721,373)
Net change in Total OPEB Liability	(18,578,457)
Total OPEB Liability - Beginning	267,315,703
Total OPEB Liability - Ending	\$ 248,737,246
Covered-employee payroll	\$ 34,284,181
Total OPEB liability as a percentage of covered employee payroll	725.52%

Notes to the Schedule:

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no other data, prior to 2018 is available. However, additional years will be included as they become available.

No assets are accumulated in a trust which meets the criteria in GASB Statement No. 75, paragraph 4, to pay other postemployment benefits (OPEB).

The Town currently contributed enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Plan Changes

None

Assumption Changes

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

2018 - 4.10%
2017 - 3.44%

TOWN OF SMITHTOWN
SCHEDULE OF PENSION CONTRIBUTIONS - EMPLOYEE RETIREMENT SYSTEM
December 31, 2018

Years Ended December 31,	Contractually Required Contributions (a)	Contributions Recognized by the Plan in Relation to the Contractually Required Contributions (b)	Unfunded Contributions Deficiency/ (Excess) (a - b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b / c)
2018	\$ 4,791,959	\$ 4,791,959	\$ -0-	\$ 33,379,436	14.36%
2017	4,830,687	4,830,687	-0-	32,802,922	14.73%
2016	4,930,204	4,930,204	-0-	32,200,243	15.31%
2015	5,520,698	5,520,698	-0-	33,273,118	16.59%
2014	6,228,840	6,228,840	-0-	32,514,803	19.16%
2013	6,577,816	6,577,816	-0-	31,848,580	20.65%
2012	5,452,428	5,452,428	-0-	31,870,671	17.11%
2011	4,227,579	4,227,579	-0-	30,729,230	13.76%
2010	3,024,895	3,024,895	-0-	30,318,846	9.98%
2009	2,190,103	2,190,103	-0-	29,458,769	7.43%

Notes:

Amounts presented for each year were determined as of December 31st and the contractually required contributions are based on the amounts invoiced by the New York State Local Retirement System

The Plan used the April 1, 2017 actuarial valuation to determine the employer rates for contributions payable to the Plan for the Plan's year end March 31, 2018.

Additional Pension Plan information is shown in Note 3.E to the financial statements.

TOWN OF SMITHTOWN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - EMPLOYEE RETIREMENT SYSTEM
 December 31, 2018

	March 31,				
	2018	2017	2016	2015	2014
Town's proportion of the net pension liability	0.1142758%	0.1143526%	0.1184077%	0.1197483%	0.1197483%
Town's proportionate share of the net pension liability	\$ 3,688,188	\$10,744,827	\$ 19,004,764	\$ 4,045,391	\$ 5,411,259
Covered payroll	\$32,944,369	\$32,443,248	\$ 31,658,188	\$ 32,227,296	\$ 32,498,633
Town's proportionate share of the net pension liability as a percentage of its covered payroll	11.20%	33.12%	60.03%	12.55%	16.65%
Plan fiduciary net position as a percentage of total pension liability	98.24%	94.70%	90.70%	97.95%	97.20%

Notes:

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

Additional Pension Plan information is shown in Note 3.E to the financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances Nonmajor Governmental Funds

TOWN OF SMITHTOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue Funds			
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts
ASSETS				
Cash and cash equivalents	\$ 2,934,073	\$ 51,593	\$ 1,468,461	\$ 753,400
Cash - restricted		7,124		
Accounts receivable	13,784		30,787	
Due from other funds	9,118			70
Due from other governments	62,680	105,962	508	
Prepays	246,738			39,997
Total assets	<u>\$ 3,266,393</u>	<u>\$ 164,679</u>	<u>\$ 1,499,756</u>	<u>\$ 793,467</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 378,464	\$ 79,023	\$ 292,678	\$ 87,208
Due to other funds		49,382		
Unearned revenue		29,150		
Total liabilities	<u>378,464</u>	<u>157,555</u>	<u>292,678</u>	<u>87,208</u>
FUND BALANCES				
Nonspendable	246,738			39,997
Restricted	2,851	7,124		
Assigned	2,638,340		1,207,078	666,262
Total fund balances	<u>2,887,929</u>	<u>7,124</u>	<u>1,207,078</u>	<u>706,259</u>
Total liabilities, and fund balances	<u>\$ 3,266,393</u>	<u>\$ 164,679</u>	<u>\$ 1,499,756</u>	<u>\$ 793,467</u>

Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Permanent Fund Nissequogue River Improvement Permanent Fund	Total Nonmajor Governmental Funds
\$ 188,032	\$ 419,373	\$ 1,694,208	\$ 302,801	\$ 7,509,140
99,604	28,513	570,839		309,925
	728	5,678		743,527
	6,436	49,744		15,594
				169,150
				342,915
<u>\$ 287,636</u>	<u>\$ 455,050</u>	<u>\$ 2,320,469</u>	<u>\$ 302,801</u>	<u>\$ 9,090,251</u>
\$ 2,090	\$ 14,074	\$ 152,612		\$ 1,006,149
	19,489	5,090		73,961
				29,150
<u>2,090</u>	<u>33,563</u>	<u>157,702</u>	<u>-0-</u>	<u>1,109,260</u>
	6,436	49,744	\$ 302,801	645,716
	5,073	48,367		63,415
285,546	409,978	2,064,656		7,271,860
285,546	421,487	2,162,767	302,801	7,980,991
<u>\$ 287,636</u>	<u>\$ 455,050</u>	<u>\$ 2,320,469</u>	<u>\$ 302,801</u>	<u>\$ 9,090,251</u>

TOWN OF SMITHTOWN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2018

	Special Revenue Funds			
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts
REVENUES				
Real property taxes	\$ 5,235,256			\$ 1,752,150
Other real property tax items	84,405			26,217
Departmental income	632,028			
Intergovernmental charges	132,471			3,224
Use of money and property	36,820	\$ 197	\$ 56,134	9,146
Licenses and permits	1,893,339			
Sale of property and compensation for loss	12,806		159,295	160
Miscellaneous local sources	1,545		777,614	
Interfund revenue	7,165			
State and local aid	306,676			
Federal aid		118,240		
Total revenues	<u>8,342,511</u>	<u>118,437</u>	<u>993,043</u>	<u>1,790,897</u>
EXPENDITURES				
Current:				
General governmental support	197,185			
Public safety	3,274,467			
Health				
Transportation				1,053,506
Culture and recreation				
Home and community services	1,723,282	118,275		
Employee benefits	2,387,908		1,464,337	401,989
Debt Service:				
Principal	139,629			240,022
Interest	30,275			78,806
Total expenditures	<u>7,752,746</u>	<u>118,275</u>	<u>1,464,337</u>	<u>1,774,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>589,765</u>	<u>162</u>	<u>(471,294)</u>	<u>16,574</u>
OTHER FINANCING SOURCES				
Premiums on debt issuance	4,437			
Operating transfers in	2,467		103,399	
Operating transfers out	(12,554)			(1,598)
Total other financing sources	<u>(5,650)</u>	<u>-0-</u>	<u>103,399</u>	<u>(1,598)</u>
Net change in fund balances	584,115	162	(367,895)	14,976
Fund balances at beginning of year	<u>2,303,814</u>	<u>6,962</u>	<u>1,574,973</u>	<u>691,283</u>
Fund balances at end of year	<u>\$ 2,887,929</u>	<u>\$ 7,124</u>	<u>\$ 1,207,078</u>	<u>\$ 706,259</u>

Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Permanent Fund Nissequogue River Improvement Permanent Fund	Total Nonmajor Governmental Funds
\$ 1,011,223		\$ 42,542		\$ 8,041,171
74,213				184,835
870,765	\$ 405,879	4,114,856		6,023,528
				135,695
3,421	3,332	9,537	\$ 1,215	119,802
	27,179			1,920,518
		12,806		185,067
	605	233		779,997
				7,165
				306,676
				118,240
<u>1,959,622</u>	<u>436,995</u>	<u>4,179,974</u>	<u>1,215</u>	<u>17,822,694</u>
				197,185
				3,274,467
2,075,709				2,075,709
				1,053,506
	428,667			428,667
		3,509,205		5,350,762
	18,602	512,493		4,785,329
	19,000	96,285		494,936
	3,670	23,343		136,094
<u>2,075,709</u>	<u>469,939</u>	<u>4,141,326</u>	<u>-0-</u>	<u>17,796,655</u>
(116,087)	(32,944)	38,648	1,215	26,039
				4,437
	2,336	31,697		139,899
	(105,700)	(115,411)		(235,263)
-0-	(103,364)	(83,714)	-0-	(90,927)
(116,087)	(136,308)	(45,066)	1,215	(64,888)
401,633	557,795	2,207,833	301,586	8,045,879
<u>\$ 285,546</u>	<u>\$ 421,487</u>	<u>\$ 2,162,767</u>	<u>\$ 302,801</u>	<u>\$ 7,980,991</u>